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CIS

MANAGEMENT OF FEDERAL ASSETS

HEARINGS
BEFORE THE
COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE
NINETY-SEVENTH CONGRESS

SECOND SESSION

ON

S. Res. 231
REGARDING THE MANAGEMENT OF UNITED STATES ASSETS

FEBRUARY 25 AND MARCH 18, 1982

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MANAGEMENT OF FEDERAL ASSETS

THURSDAY, FEBRUARY 25, 1982

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, D.C.

The committee met at 9 a.m., in room 3110, Dirksen Senate Office Building, Hon. Charles H. Percy presiding.

Present: Senator Percy.

Staff present: William A. Strauss, chief counsel and staff director; and Alan Mertz, professional staff member.

OPENING STATEMENT OF SENATOR PERCY

Senator PERCY. If some of my colleagues do not show up this morning it is because they left the Senate at 2 o'clock this morning. So they may be a little tardy this morning getting in. It doesn't evidence any lack of interest in this legislation. We are looking forward very much indeed to working intimately and closely with our House principal sponsors, Congressman Winn and Congressman Kramer.

This morning we begin hearings on Senate Resolution 231, which calls for a new direction in the management of real property assets of the United States.

A few weeks ago, we reached a milestone in American history—the national debt surpassed the $1 trillion mark. This is not a milestone we should be proud of. It should be a signal to the Congress that we must act to stop this dangerous trend by the mideighties, or we may push our economy past the breaking point.

The effects of two decades of reckless spending by the Federal Government can be seen in my own State. In Illinois, almost 1 worker in 10 is unemployed. High interest rates are pushing small businesses into bankruptcy daily and stifling growth and production in others. Equally disturbing is what interest rates are doing to the hopes and dreams of young Americans. Few of them can afford to buy homes for their growing families—a terrible fact that we in Congress have to do something about.

These examples of what I think this legislation can do is why 38 of us in the Senate are enthusiastic about it and it is growing daily and I am going to take a few minutes to give a little of the past history most of which our two congressional witnesses are very, very familiar with.

In the past the only solution offered to attack sprawling and unmanageable Government spending was to cut programs—a solution I have generally supported. But there is a limit to how much we can cut back—a $1 trillion debt is such a staggering problem that we have thrown our arms and I have seen them almost throw them up in frustration.

Up to now, we have almost totally disregarded the most basic financial analysis used in every business large or small, and in most households: the assets/liability balance sheet. We have closed our eyes to the fact that the Government has plenty of assets—substantially more assets than debits, as this chart over here indicates. One chart on the Treasury Department figures indicates that we do have even with an over $1 trillion deficit, still have even at the cost figures on our inventory of assets a net worth of $33 billion but excluding all public domain lands. If we totally excluded those and just upgrade many of the buildings, and so forth, what their market value would be, the lowest estimate we would come up with is that we would have a substantially higher net worth than that. That is just one way of showing that our bookkeeping simply is not up to date. Certainly if we dispose of some of these assets we would convert that into cash and reduce our debt significantly. We have not closed our eyes to the fact that the Government has plenty of assets, substantially more assets than debits but I am not suggesting that we sell all of our assets to eliminate our debt. No one would suggest that. No business would sell the factory in order to keep production going. What I am suggesting is that we sell some of our properties which we simply do not need to offset part of the national debt.

In recent years, Uncle Sam has behaved like a homeowner who moves to a new town and buys a new house but refuses to sell his old one. He then moved again and borrows to purchase a third, a fourth, and so on, never selling the old homes, often just letting them sit idle. One would surely question the business acumen, not to mention the sanity, of anyone following such a practice. Yet this is exactly what the Federal Government has been doing for years. Uncle Sam's coffers are brimming with valuable properties we could do without. To start with, we have at least $1 billion worth of property already declared excess. In the past, these properties were most often given away to other Federal agencies—or failing that, to State and local governments. In many cases, those who received these gifts would conjure up reasons for needing the properties, and often later did not put the properties to good use. But who can really blame them? If you are offered something for nothing, you generally treat it with a same sense of value. You simply think up ways that you can use something that is going to come to you free. In view of our economic situation, we simply cannot afford to give away any Government property except under the most exceptional circumstances. Certainly we have now the exceptional circumstances that would call for changing those practices.

The $1 billion-plus in excess property is only the tip of the iceberg—just one-quarter of 1 percent of the property owned by the Federal Government, not even counting the public domain lands. Federal agencies are sitting on a gold mine of property that they do not really need but have not been willing to part with. Let me give a few examples.

Most of these examples are incorporated in the charts that we have on the wall there. On Waikiki Beach in Hawaii, an area well known to all of you, just lined with luxury hotels just as tightly as they could be compressed together, the U.S. Government, the Defense Department, owns 73 acres of prime beachfront real estate, which may be worth several hundred million dollars. A small portion of it is being used as a luxury hotel for vacationing military personnel and retirees, many of them on hardships posts such as Hawaii. Fifty percent of the occupants of this hotel that use this reduced rate hotel are retirees. They are not in the military service. They are retired. Military personnel have many hotels at which they can get a courtesy discount through Hawaii that encourages that kind of trade. We are delighted that they do that. But we have a luxury hotel on land owned by the Department of Defense, 73 acres of it. The rest of the land—and a very small portion of it is used for the hotel—is just simply unoccupied.

As I recollect, the private sector, there are very few hotels out there that have an awful lot of expanse of land that is unoccupied, anything near what this vacant land is. What does that add to the defense of the United States? I can't see any sense in it. Certainly, there is skepticism evidenced when I talked to Secretary Weinberger 2 days ago about it and John Tower, chairman of the Armed Services Committee, last night about it.

In Beltsville, Md., just outside of Washington, the Food and Drug Administration owns 240 acres of very valuable land. Since 1968, the FDA has only used 12 acres of this land for a research facility—the remaining 228 acres are simply used as a wooded buffer zone. Apart from some long-range plans for expansions, the FDA is just sitting on this prime real estate. Of course, as long as it is sitting there, it is not paying taxes either into the municipality.

Also in Beltsville, right off a beltway exist, the USDA's Agricultural Research Center uses several acres across the street from its administration building for an extended front lawn giving the building a plantation-like setting. One research official said this land, which may be worth over $100,000 an acre, is being used for "turf research." That is pretty expensive turf research. I think the time has come when we have to carve up some of these agencies' "turf" for the benefit of the American taxpayer.

I would like to say that as a Chicago company got into financial trouble and continued its borrowing, International Harvester, I certainly recognized that they did what any other business does. In the private sector with the compulsion of having difficulty getting cash, they looked around. They have a regular review program, but International Harvester looked around at its inventory of properties and companies and divisions that were not earning their way; what could they do about it? In a couple of years they disposed of half a billion dollars worth of property, converting them into cash. They had an incentive to do it. Our problem is we have looked at this; there is no built-in incentive for the Federal Government to do likewise.

The Reagan administration, I am pleased to report, is moving swiftly and decisively in this area, and I expect we shall soon see action on properties like these. I know that President Reagan is showing a strong personal interest in this issue. His budget proposes that we sell approximately $17 billion of property over the next 5 years. I believe that we can sell at least this much. The value of Federal properties, excluding hundreds of millions of acres of public domain lands, appears to be worth roughly $400 billion. If we were to cut back 10 percent on what we own—and we have cut back much more than this in many programs—we could raise $40 billion. The interest alone on $40 billion would be substantial.

Some concerns have been raised that this proposal might have a damaging effect on the environment of the West. I want to state for the record that none of us have ever considered seriously selling, inventory, or appraise our national parks, wildlife refuges, wilderness areas, Indian lands, historic sites, or other national treasures. As a Senator from a Midwestern State, I know that my constituents want these areas to remain in Federal hands so they enjoy them and the generations to come can enjoy them as well.

Of course, there are hundreds of millions of acres of public domain lands which are not parks, wilderness areas, or the like. The surface rights to these lands are commonly leased for such commercial purposes as grazing and logging. In essence, Uncle Sam is a landlord, renting these lands to tenants. I am not advocating that we sell these properties—the question of whether these properties should remain under Federal ownership is an extremely difficult issue, one that I am not addressing in my resolution. What I am proposing, however, is that Federal properties leased for commercial purposes be inventoried, and that this inventory include a fair market value. Any landlord worth his salt would want to know what his rental property is worth—if only to know how much rent to charge. The taxpayers, as stockholders of their Government, deserve no less.

Preserving the vitality of America's economy and the fiscal order of our Government will be a very difficult task over the next few years. If the economy falters, so will everything else—from our military standing in the world to our capacity to protect and preserve the environment. It is time to put our parochial interests aside and work together for what will be, ultimately, in the best interests of all of us.

I am particularly eager to work with Secretary Weinberger on identifying military acreage that we could sell for the benefit of the taxpayers. At a time when we are increasing defense spending, while cutting back on so many other things, I think the Defense Department has a special obligation to do well here. Secretary Weinberger has already ordered a top-to-bottom review of military properties, and I will chair a hearing some time this spring on how this review is coming.

As we move ahead with this resolution, I want to make sure we air all views. In particular, I want to hear suggestions as to how a sensible and balanced property liquidation program can take place while maintaining the quality of our environment. As far as I am concerned, it will happen no other way.

Fortunately today we have as our head witnesses two men who can speak with great authority from the other body. They have long been thinking along the same lines that I have. I want to thank both of you, my colleagues, for being here this morning.

Congressman Winn, since you are from an urban area like Kansas City I know that you share some of my concerns about the effects of inflation and high interest rates on the unemployment and the ability of businesses to survive. We simply must do something to get the Government's financial situation in order. Your leadership in the House has given this proposal a tremendous shot in the arm. I look forward to continuing our work together on this issue.

Congressman Kramer, I understand that you have been working on this concept intensively since last summer. As a representative of the Colorado district you understand the need to protect the quality of the environment in the West. We are delighted to have your leadership on what we call over in this side the Percy-Winn-Kramer proposal and on the other side we reverse that order any way you see fit.

Congressman Winn, why don't we begin with your testimony.

TESTIMONY OF HON. LARRY WINN, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF KANSAS

Representative **Winn**. Thank you very much, Mr. Chairman.

I want to commend you for a strong opening statement. I think the information that you furnished to the hearing makes it very, very important as a starter.

I appreciate the opportunity to testify today before this subcommittee on the issue of surplus property. As you know I have introduced a resolution in the House which relates to the management of the U.S. assets. House Resolution No. 265 states that the Government of the United States must manage its assets in a more prudent manner which would be beneficial to the interests of the American people.

It asks the President to immeditely direct the heads of all executive branch agencies to inventory their assets, excluding national parks, monuments, historic sites, and other holdings for which an inventory would serve no purpose. Each of these agencies would also be asked to estimate the aproximate value of each asset, and identify the uses to which each asset is put. The President would also be asked to estimate the approximate value of each asset, and and should therefore be candidates for liquidation. Finally, House Resoultion No. 265 asks that the President submit recommendations to the Congress on any legislative and administrative revisions that may be needed to carry out such a program of liquidation in an orderly manner.

It directs that the receipts of this program be used only to restrain and ultimately reduce the national debt of the United States, and calls upon each agency to improve in the area of management and liquidation.

I am happy to report that my resolution has the support of 65 Members of the House, 22 Democrats and 43 Republicans, which certainly makes it a bipartisan issue. I am hopeful that we will have hearings in the House Government Operations Committee on this important issue.

I am very pleased at the attention this issue has received thus far from President Reagan and the administration. Not only has the sale of surplus property been proposed in the fiscal year 1983 budget which was recently submitted to Congress, but last week it became apparent that a real property review board is to be established for the expressed purpose of setting policy on property disposition issues and arbitrating disputes.

The administration has already estimated that at least $17 billion in revenue could be realized in fiscal year 1987. This represents more than a dollar figure; it serves as an important statement to the American people that we are serious about living within our means. At a time when we are asking each and every American to sacrifice, it is absolutely crucial that the Government do the same and take the lead.

As we begin to look at the budget for fiscal year 1983, with a huge deficit looming before us, and as we continue in our attempts to finetune this huge bureaucracy, I believe we have to take a look at the entire system of excess and surplus property. Addressing our national debt must be a top priority, and this is one approach which can help.

We have a national debt of $1 trillion. We also have assets of $1 trillion, with real property holdings of $130 billion. Of this, $1.3 billion is acknowledged as surplus property.

You have to keep two things in mind about that $1.3 billion figure: One, it is merely an addition of original purchase price—let me reiterate that because I think it is very important. It is merely an addition of the figures based on their original purchase. Also, a number of these properties were bought decades ago. In addition, the list of surplus property is by no means complete as you and the staff have demonstrated this morning by your display boards. Government agencies do not have the same budgetary incentives that private companies have to sell off what they don't need. A lot of Federal assets are undervalued and underutilized.

Moreover, it makes perfect sense to get these underutilized assets back on the tax rolls, particularly in these days of the New Federalism.

Let me reemphasize that my resolution does not include national parks, monuments and historic sites. Our parks are priceless and I don't want to sell our national heritage. I do, however, want to fight waste. I am certain that the American people want the fat cut out of the Federal Government.

We have very, very serious economic issues facing us. Interest rates are high; homebuilding is at a virtual standstill; unemployment continues to rise; and we are losing the faith of those people who mean so much to us—the American people. I have heard from numerous individuals who totally support the concept of selling surplus property as an excellent means of attacking waste and fraud.

I look forward to working closely with my colleagues in the House and the Senate, and with the administration in a coordinated effort to reduce the national debt by reducing waste.

I appreciate the opportunity to appear before your committee, Mr. Chairman.

Senator **Percy**. Congressman Winn, we thank you very much indeed. I have just one question for you, a 7-term Congressman and by the way we are happy to welcome your former colleague, Dave Stockman who just came in behind you and I would cordially invite both of you to join me for as long as you can stay for this hearing, come up and join me at the rostrum here. We appreciate working just as closely together as we can on this as we move it through the House and the Senate.

I have never sponsored legislation in 15 years where more Senators have come to me and asked if they couldn't get on this bill. I was very pleased to see this response. A few days ago, Senator Helms came up and said, you know, this had several major editorials in North Carolina. This is a tremendous idea and I want to really work with you on this issue.

Have you experienced in your 7 terms in the Congress that kind of response and receptiveness by the Congress and have you heard from taxpayers and have you heard from people back in your district about it? Have they gotten the word about the asset management and its potential for reducing our debt?

Representative **Winn**. I certainly have, Senator. As you know, both of us have been on several TV shows and radio talk shows and things of that type. The mail that we are receiving from all over the country, not just my own congressional district, but from all over the country certainly support this. Some of the people and some of our colleagues on the House side said, why didn't somebody think of that before?

Well, as we know, this is not a new idea but I think the time is now.

Senator **Percy**. I think it cuts across ideological lines, too. There appears to be no ideology involved. The most concerned groups are those that we have both mentioned, environmentalists. We have worked intimately and closely with environmentalists. As long as I have been in the Senate, I have found them responsive. I have found myself aligned with them so many times. We would never have passed that Alaska bill had we not worked out an understanding and agreement with those who fought and spent their lives protecting the environment. We intend to do the same thing here, working intimately and working closely with them. They have been cooperative and helpful.

Representative **Winn**. I think that is very important. We have had several meetings with environmental groups and Mr. Kramer has worked very closely with them and I think we will address that shortly.

Senator **Percy**. Congressman Kramer, we would be happy to hear from you now.

TESTIMONY OF HON. KENNETH F. KRAMER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF COLORADO

Representative **Kramer**. Thank you, Mr. Chairman.

If I might formally submit my statement for the record and comment from my notes that would be much appreciated.

Senator **Percy**. We will put the entire statement in the record following your testimony.

Representative **Kramer**. First let me compliment you and your staff in bringing this issue to national attention. I think you do not only your constituents a great favor and a great service in doing that but I think you do the Nation as a whole the same service. As you so eloquently stated high inflation and high interest rates have been at intolerable levels and just as the typical American family or the typical American corporation must live within its means or go under so must our Government.

In times of trouble it makes good sense to inventory your assets, look and see what you have, see what possibly could be potentially disposed of to raise cash. When I got started on this project I learned two things quickly. No. 1, we don't know what we own even today, I think as we sit in this room. You will find some discrepancy between agencies, about 40-million acres have dropped through the cracks, GAO reports 744-million acres being owned by the Federal Government but I have seen reports as high as 780-million acres.

But not only do we precisely have no idea what we own we don't have any idea what it is worth. As has been stated, all we have a handle on is acquisition costs. That is about $105 billion but that only represents 8 percent of all Government holdings. The 92 percent of the properties that are held in the public domain are not even listed at acquisition costs. So they are listed on the Government balance sheet as zero.

Larry Winn said there is no such thing as an original idea and that is absolutely correct. In studying this issue, I found and I note we are all Republicans in this room, but truly this is a bipartisan issue because President Jackson in the 1830's sold off much public land in order to pay off the national debt that had been accumulated at that time.

We have I think an obligation to do something about this heritage that we have left for future generations of Americans which is more in the nature of a mortgage than a heritage. A trillion dollars plus of national debt which has caused the prime rate to at times reach levels of 22 percent is obviously causing severe economic problems in this country. I truly believe that if this program implemented over the next generation in a systematic way, without doing any disruption to anyone we cannot only balance the budget but we can make very, very significant progress toward discharging and paying off that entire national debt.

I think that it is important that we do indeed protect the environment. No one is proposing that these national treasures be sold or cataloged or disposed of but even acting for those national treasures in the form of national parks, in the form of wildlife refuges, Indian lands, wilderness areas, even those that are not designated yet but are only under study we wind up with 283 million acres.

So as bad as my mathematics are that means there is in excess of 500 million acres that are still potentially available, more than 500 million, that are still potentially available for not only inventorying and cataloging for potential disposition. What can we do? If we implement this program, of course the obvious thing is we could make some progress as I have indicated toward balancing this budget. I think this can be a key factor in the economic recovery program.

We can also over a generation I think handle the national debt but in doing so, in returning the property to the private sector, we are going to stimulate economic development which in turn will mean more State and Federal income taxes. So as I analyze this thing, everyone becomes a winner, even those that are strong supporters of the environmental movement because I would advocate that in implementing this program that a certain percentage of the sales proceeds be set aside for upgrading environmentally those properties remaining in the inventory after disposition.

I also think that it is important that we make properties available not only to the largest corporations but to the average American. I think this program can be sold and accepted by the American people under a patriotic theme of doing something for their country and at the same time making a good investment for themselves.

I think we ought to seriously look at limiting the amount of property that any one individual or any one corporation can buy. We have to seriously look at the question of foreign ownership and putting restraints on the ability of foreign nations and foreign countries to participate in this program.

Certainly we don't want literally millions and millions of acres sold to OPEC.

I think another important ingredient is that we thoroughly review all the potential marketing techniques that might be available and it is obvious that the same technique probably will not apply for each parcel. But in this formula I think it is important that at least a portion of these parcels be sold with reasonable down payments with long-term financing at reasonable interest rates. I am thinking of rates in the neighborhood of 10 percent, although obviously there is some flexibility there of course.

The reason I say that is that I think that the Federal Government making a commitment to those kinds of interest rates at this particular juncture in our history can have an extremely important psychological effect in bringing down this intolerable rate of interest with which we are faced today. Because the more I set in Congress, I guess the less I wind up realizing that I know, but I have also recognized the fact that what we are dealing here with is largely as much as anything else psychology in terms of the way the economy works.

The Federal Government making a commitment to those kinds of interest rates I think will foster the kind of psychology, the anti-inflationary psychology that I think the market is largely ignoring today and as a consequence of the discounting fact with future inflation we wind up with those kinds of rates that we are looking at which as you and Larry Winn have pointed out are putting businesses like homebuilders, car salesmen, automobile dealers, and others on the brink.

In conclusion, let me just say that I think this program fits well into the New Federalism. I am delighted and pleased that the administration has taken the first important step in including this project within its 1983 budget submission. I think we are just beginning to scratch the surface of the potential of this program. I do think that given a reasonable period of time, this program can be a key if not the key ingredient toward bringing fiscal sanity back to our Government and thus to our people.

Thank you for allowing me to share those thoughts with you.

Senator PERCY. Thank you very much.

I would like you and David Stockman to know that our schedule here in the Senate is that we will have a hearing on March 18 for public interest groups. We can hear from them and then hope to go into markup shortly after that.

Just three quick questions. I know in your own districts, Congressman Kramer, you had a saying we make our living in Illinois, without a single national park in the whole State. Then we go out and enjoy our recreation in Colorado. Part of my skiing experience has been out in the beautiful mountains. You have in your own district some of the country's most beautiful scenic areas including Pikes Peak. For the record, once again would you reiterate whether you agree that we must continue to protect these very special areas as we move forward with our proposal, all such areas that are of such inestimable value to all Americans.

Representative KRAMER. I would have a difficult time getting reelected if I started advocating the sale of Pikes Peak. [Laughter.] I might add largely——

Senator PERCY. You would have trouble getting out of this room alive. [Laughter.]

We are sorry by the way we are so limited on space this morning. We have many people standing in the hall and we have people standing in the back. We wish we had a larger room available.

Representative KRAMER. I am now delighted to report, Senator Percy, that my present congressional district, believe it or not, has no total mountains in it. I represent primarily Colorado Springs, even though I go east and have flatlands. That is what we call the other Colorado. But with the uncertainties of redistricting not totally resolved it does appear though that for the first time now I will have mountains in our new district, including some of Colorado's tallest and I will have all of Pikes Peak instead of just one-third of it.

I am not advocating either selling the one-third or anything larger than that or anything less than that. I think it is extremely important that from the beginning that this measure not get characterized as antienvironmental because it is anything but that. Obviously we all recognize that there are certain public treasures that the public I think deserves to have protected, in fact I think protected in a better way than is presently being done. That is why I suggested as part of any implementing legislation we do include an environmental set-aside that will not only allow us to upgrade what we already have remaining in this public treasure inventory, but may even allow us to expand that inventory.

Senator PERCY. I mentioned the instance of International Harvester in couple of years selling off a half a billion dollars of its own assets when it had a cash crunch such as we have. The administration through direct or OMB David Stockman, has estimated that over the next 5 years we could dispose of about $17 billion of surplus property in sales. Do you feel that this estimate is on the low side, is about right or is on the high side?

Representative KRAMER. Again, of course, I guess the first important thing our legislation will accomplish is that No. 1, we will find out what we own and what it is worth, I guess, is very difficult to make estimates without having some of that basic information. My own gut feeling is that these estimates are quite low.

Senator PERCY. You concur with that, Congressman?

Representative **Winn**. I think so, too. I have talked to several of the national appraisal organizations and they think that that is a very conservative estimate.

Representative **Kramer**. I think as I said and I guess we will just have to see hopefully this inventorying will be done and we will see whether history will bear this out, but I do believe that if this program is approached properly the potential exists not of course in a year or two, you don't want to flood the market, there are some other considerations, but over a generation I really believe the potential is there to discharge the entire national debt.

Senator **Percy**. And the final question to you and then I would cordially invite you to join me here, you are a member of the Armed Services Committee in the House.

Representative **Kramer**. At least until I get back to the other side. I hope tomorrow. [Laughter.]

I am right now, after I say what I am going to say, I am not sure I will any longer be honored in that esteemed company but I suspect I will. I hope.

Senator **Percy**. You have congressional immunity in here. [Laughter.]

I think we all agree that many of the most valuable properties owned by the Government are Department of Defense holdings including abandoned military bases of which we have no real foreseeable usage in the future. Do you agree that we should take a hard look at these military properties and sell those that are not essential to the operation of the Department of Defense?

Representative **Kramer**. Absolutely. I think that every agency ought to make a contribution to this program. There are 62 agencies that we have been able to identify that hold property. One suggestion I do have, however, is that when we do impact on an agency that we also consider the possibility of having an agency set-aside as well as an environmental set-aside. I suggest this because having I guess not necessarily with the Department of Defense but having experienced I guess bureaucracy as a whole I have discovered that sometimes you can make a lot of policy at the top but have a very difficult time implementing it when you get resistance underneath.

I think in order to give these agencies an incentive to be cooperative which I believe will ultimately raise an awful lot more money than if we try to get some stonewalling down there somewhere beneath the surface, I think that a certain percentage of these proceeds also ought to be returned to the agencies for some kind of discretionary spending.

Obviously at first blush that would seem that perhaps we could not raise as much money that way and that we would be in fact using this money for operating expenses rather than again discharging the debt. But I think the ultimate analysis would show that with agency cooperation and enthusiasm we are going to be able to identify a lot more properties than we will be if we have to take them through this process with their heels across the carpet. But I certainly think that the Department of Defense ought to be able to make a significant contribution. They own 30 million acres. That pales in significance by the Interior's 522 million, Agriculture's 188 million, but the third most land populated agency and as you suggest and as I think the staff has amply demonstrated by pictures which are worth a thousand words, certainly there are many DOD properties that now ought to be not only looked at but I think would be very good candidates for disposition.

[Representative Kramer's prepared statement follows:]

PREPARED STATEMENT OF REPRESENTATIVE KRAMER

Mr. Chairman and Members of the Committee:

May I first thank you most sincerely for the opportunity to present my views on a proposal which, if adopted, will go far in taking us down the road towards economic recovery.

As most Americans are aware, high interest rates are our biggest problem and the greatest hindrance to a healthy economy.

These high interest rates are limiting the ability of small businesses and individuals to obtain credit. Interest-sensitive small businesses, such as homebuilders, farmers, and car dealerships, are being devastated by high interest rates. Housing starts have reached their lowest level in 35 years and the real estate industry is practically at a standstill. Farmers are selling or losing through foreclosure property passed down from generation to generation. Car dealerships all over the nation are being forced to close their doors. Moreover, the cost and unavailability of loans have placed a home or car beyond the reach of all but a few Americans.

We cannot afford to have America's small businesses go under, especially when they are desperately needed to increase productivity and help get the economy rolling again. Nor can we afford to have more people forced out of jobs and onto the unemployment rolls. For many, the cure for inflation is becoming worse than the disease.

In order to cope with the tremendous national debt which has surpassed $1 trillion, the federal government has both printed more money, which results in higher inflation, and borrowed in the market, which leads to higher interest rates. With ever-increasing federal spending, the federal deficit for FY 1982 is expected to be about $91.5 billion. It is apparent that the time has come to further cut federal spending, balance the budget, and reduce the tremendous national debt, the interest payment on which is projected to be $112 billion in FY 83. This is a heavy mortgage on the future of all Americans.

What would the typical American family do if faced with a financial situation similar to the one faced by the U.S. government? The typical American family must live with its means or face the possibility of bankruptcy. Rather than declare bankruptcy in times of financial crisis, it may be necessary for a family to turn to its assets--savings accounts, stocks, property, and so forth--in order to raise enough cash to pay its bills.

In fact, as the Congress and the Administration search for ways to bring down the high interest rates and inflation, we may be overlooking a potential solution which is right under our noses. The U.S. government has considerable assets. Last fall, I commissioned the General Accounting Office to determine how much property the federal government owns and how much it is worth. The GAO reported that currently the government owns 744.1 million acres or 32.7 percent of all land in the United States. The government also owns over 405,000 buildings comprising over 2.65 billion square feet of floor area.

Amazing as it may seem, no one in the federal government really has any idea as to the worth of these vast federal holdings. The Library of Congress, the Bureau of Land Management (BLM), the General Services Administration (GSA), as well as the General Accounting Office all indicated that they not only do not have information available on property values but that no one agency has existing authority to conduct an assessment into the amount, type, market value, utilization and management of all federal properties. The only figure the GAO was able to provide me with is an acquisition cost figure of $104.9 billion and this figure only accounts for 8% of the total amount of federal real property. The other 92% of the 744.1 million acres is public domain land which is carried on the books at no cost.

The Land Policy Working Group within the Interior Department does plan to use satellites to survey public lands owned by the National Park Services, BLM, the Fish and Wildlife Service, and the U.S. Forest Service, but this is several years in the future and will not include the 80 million acres of federal property belonging to 62 other agencies, including GSA, which controls the majority of developed urban properties.

Historically, through the Homestead Act and similar mandates, the federal government has disposed of excess federal properties quite successfully. Public policy during the 1800's was clearly directed toward transferring federal land to private owners and States. In fact, between establishment of the first General Land Office in 1800 and the withdrawal of the public domain in the 1930's the original government holding of 1.837 billion acres, or 80% of the U.S. acreage in 1800, was reduced to 692 million acres. The Homestead Act itself provided for the transfer of 287 million acres to create more than 1.6 million farms during the 114 years of its existence. These disposal policies were at least partially motivated by the federal government's need for money. Much of the public land was sold for cash to private individuals. For example, in the 1830's President Jackson sold enough government land to pay off millions of dollars of federal debt and probably would have paid off everything if a series of Indian wars had not started a new round of deficit spending.

Since the 1930's, however, our policy toward federal land has been of acquisition rather than disposition. The Federal Land Policy and Management Act (FLPMA) of 1976 codified this acquisition policy. FLPMA provided the Bureau of Land Management with a mandate to manage the public lands for permanent federal ownership, according to multiple use and sustained yield principles. Among other things, the act removed from the books numerous 19th and early 20th century laws authorizing the conveyance of federal lands into private ownership and established restrictive new land sales procedures.

I think what we need to do at this time is to re-examine this policy and ask ourselves: Does the federal government really need to own one-third of the land in the country when so many people are suffering as a result of high interest rates and inflation caused by a national debt that has surpassed $1 trillion?

I believe the answer to that question is no. I believe that we can no longer afford to ignore the question of disposing of our unneeded federal assets for the production of revenues.

The sale at market value of federal properties to the private sector would not only mean the immediate realization of much needed funds but would also bring other significant benefits. The transfer of these properties into the private sector would significantly increase local property tax bases. Much of the property would undergo economic development, translating into more revenues, this time from state and federal income taxes. There would be a reduced need for the number of employees involved in the management of federal properties which means lower federal spending. Thus, not only would the effects of recent budget reductions on state and local governments be alleviated, but the federal government would gain additional income to help insure a balanced budget and liquidation of the national debt, thereby reducing inflation and interest rates.

The potential benefits reaped from the sale of unneeded federal property can be tremendous; however, in considering the sale, we must take into consideration several very vital factors.

It is important to note, first of all, that I am not in any way advocating or even thinking about the possibility of a sale of our national treasures or environmentally important areas. National park system properties, wildlife refuges, Indian lands and wilderness areas should automatically be exempted. In fact, I would like to propose that a portion of the revenues realized from sales be set aside for upgrading and better maintaining those properties remaining in the federal inventory.

What I have in mind to sell is property such as the former Naval Training Center at Bainbridge, Maryland, which is unused and whose buildings are so dilapidated that the federal government last year decided against trying to relocate Cuban refugees there, or the 12.7 acres of land adjacent to a Veterans Administration hospital in Montrose, N.Y., which has been found by the General Services Administration to be "underutilized and is not needed."

Secondly, I believe that a program of federal property disposition should be available to the average American citizen as well as the largest corporation. Thus we may want to restrict the amount of property and one person or corporation can buy. Marketing for the program should also be developed in such a way to make it possible for the average American to take advantage of the program. This can be done in a variety of ways, ranging from cash terms to long-term payments at reasonable interest rates, e.g., 10%. Such interest rates in and of themselves would have a tremendous positive psychological impact and could be a key factor in lowering current commercial interest rates.

The third consideration is that it may be necessary to restrict foreign investment. We certainly do not want a large portion of this country to be owned by OPEC or by other foreign nations or nationals.

In order to make this program work effectively, it is absolutely essential that all federal agencies cooperate to the fullest. Thus, as an incentive for agencies to realistically assess unneeded properties, and not sabotage the intent of the assessment, I propose that a percentage of generated revenues be set aside for discretionary use by the affected agencies.

Spurred by the initiative of the distinguished Senator from Illinois, Senator Charles Percy, and my esteemed colleague from Kansas, Congressman Larry Winn, and myself, the Administration has proposed to undertake a concerted program to improve federal property management and to dispose of unneeded federal property in its FY 1983 budget proposal. A White House/Cabinet-level Real Property Review Board is to be established to ensure maximum coordination of the effort. I would like to commend the Administration on taking this first step towards instituting a program which can help lead us down the road towards economic recovery. I would also like to suggest that, in this new spirit of federalism which the President has advocated, the Administration should work closely with the States to get their views and input. It is not only right that the States be consulted, it is only with their full cooperation that this program can reach its full potential.

The Administration has estimated that receipts of GSA-managed property from sales could total $1 billion in FY 1983 and that receipts from a combination of the sale of GSA-managed property and from sale of land held by the Departments of the Interior, Agriculture and Army Corps of Engineers could be $4 billion annually beginning in 1984.

I am optimistic that receipts can be considerably higher. Rather than thinking only in terms of good asset management, we should be looking at a long-term disposal program which will play a major role in putting our economy back on a sound footing. In addition to helping balance the budget...and with this program in place, I would not give up on a balanced budget for 1984. I am confident that this program can bring in enough revenue in the next generation to pay off the federal debt.

Now that the Administration has put the program into its budget proposal, it is up to us in the Congress to adopt legislation that would put it into effect.

I am most grateful to the chairman for having called these hearings and for giving me the opportunity to present my views.

Thank you, Mr. Chairman.

Senator PERCY. As the former head of a photographic company, a picture is better than a thousand words, but I think you are right, the staff has been very creative in just going right out into our own immediate community—that we know well, in the Nation's capital, and identifying and finding surplus property right here that we have seen some of it, as the pictures depict, the for sale signs are even down. You just covered that yourself. They are down covered on the ground.

It doesn't look like anyone is really trying to sell them, nothing being done on it; just a halfhearted effort to really put some work into this and we are going to be in it. We have got some of the finest investigative people working on this in our staff. We are going to show some real progress.

I would cordially invite both of you to join me now.

Representative WINN. Could I point out that I was very disappointed about 3 weeks ago after some of the publicity on this idea started that one of our agencies felt this was going to be extremely complicated and doubted if it could be handled. I think we had better start with that agency.

Senator PERCY. We will just show them how uncomplicated it can be. It is as simple as A-B-C and we are going to make it just that way. Thank you very much indeed.

Mr. David Stockman? We certainly welcome you very much indeed. We want to, I think on behalf of my colleagues and myself, compliment you for your efforts across-the-board. You haven't always received compliments in hearings. A few more on the Senate side I think even in fiscal matters than on the House side. Your former colleagues seem to work you over a little harder. But in this case, the House and Senate have nothing but commendation for what you have been trying to do and working with us in this area. We have made more progress with an idea than ever we could have imagined and it is because of your own drive and imagination and the way you have gone about it. You are determined and dedicated to the concept of trying to get the size scope of Government under control. Here is a real chance to do it. Many times it is a thankless job, to take on many special interest groups. I know that you have done a thorough job and a process that needed to be done.

We sometimes disagreed on some of those areas. We have reasoned together as we are going to have to reason together with the President on this budget. But the process is working. We are challenging old concepts, sacred cows that no longer can be considered the things that we have unattended and undone. Last October, just after introducing Senate Resolution 231, I wrote President Reagan asking for his support for this idea of identifying surplus Federal properties and selling them as a means of raising significant revenues. I had no idea this administration would act so promptly and decisively in this area. You deserve congratulations with what you have been able to accomplish in just a few short months.

You already stopped donations of surplus Federal property with the GSA that Congressmen Winn and Kramer and I asked you to do last fall. In one swift blow you ended years of Federal giveaways, that cost taxpayers billions of dollars in lost revenues and put property into the hands of people who when they received them for nothing put no real value on them, whether they needed them or not. Sure, it is a gift. I will take it. Then maybe later sometime I might find a usage for it. You have directed the heads of all Federal agencies to come forward with all properties which are not essential to their operations. Finally, you have established a top-level review board that will direct an accelerated program to sell unneeded Federal properties.

The administration's decisiveness in this area clearly demonstrates your commitment to making this Government more efficient, leaner and more manageable. I was just delighted in going over with the President 2 days ago to the leadership meeting on the budget. He mentioned not only this area but also our debt collections legislation which we feel has equally great promise. We are very happy to have your testimony at this point.

TESTIMONY OF DAVID A. STOCKMAN, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. STOCKMAN. Thank you, very much, Mr. Chairman.

I want to begin by saying that I appreciate very much everything that you have done by way of leadership and by way of highlighting this issue.

I feel if it hadn't been for your work and the work of Congressmen Winn and Kramer this $17 billion proposal that we have in the budget this year to start the process over the next 5 years of disposing of excess and surplus Federal property would have been greeted in a far different way.

I think thus far the reception has been favorable. In fact, people are asking why we weren't more ambitious. But if the groundwork had not been prepared, if some of this information about the utter lax and negligent attitude that we have had about our Federal property in the past had not been called to the attention by the efforts of the three of you, I believe we would be in a much different situation today.

So I want to express my appreciation to all three of you.

I have a quite lengthy testimony. I would submit that for the record but there are certain portions of it that I would like to highlight in my presentation this morning because they touch on some issues that have been discussed and some new angles and some new insights in terms of how we intend to proceed that I believe would be valuable for the record and for your information.

Senator PERCY. The complete testimony will be inserted in the record following your testimony.

Mr. STOCKMAN. I think I would start by reviewing the facts that you are fully aware of, that we have an estimated Government ownership of some 744 million acres and Congressman Kramer may be a better student of this than we are, but it is somewhere in that range which comes close to one-third of the entire U.S. landmass.

The Government's vast holdings include 405,000 buildings as near as we can tell which encompass some 2.6 billion square feet of building space.

Although these are not all office buildings as this committee knows, this amount of space is about four times larger than all of the office space in the Nation's 10 largest downtown or central business districts.

The Federal Government, as you are aware, owns real property in each of the 50 States, with a proportion varying from over 50 percent in the States of Idaho, Oregon, and Nevada to less than 1 percent in New York, Connecticut, and Ohio.

The Departments of Agriculture and the Interior managed the greatest portion of these holdings as you are aware; about 710 million acres of Federal land, much of which is undeveloped.

Approximately 20 percent of the—depending on which classification that you use—of the Agriculture and Interior land is in relatively restricted use as refuges, wilderness areas, and national parks.

Let me pause here to reiterate the discussion that you had earlier this morning and state categorically that our intention to improve the management of our holdings poses no threat to our national treasures such as national parks and wild and scenic rivers and so forth.

Instead, our focus in the public lands area will be on those tracts that are now undeveloped or are categorized as being available for commercial purposes such as grazing, energy, and mineral development, dispersed recreation, timber production, and so forth.

In addition, as you are well aware, Mr. Chairman, 33 million acres of land are also held by civilian and defense agencies of which 90 percent of this is owned by the Department of Defense. Department of Defense holdings are greater than the entire acreage in the State of Pennsylvania; just to put another dramatic picture on the size of what we are attempting to assess and manage here.

Over the past 20 years, total acquired holdings have increased by more than 4 million acres—just in the agency and GSA managed property, an increase of 14 percent over that period.

I think the committee is well aware that historically, the Federal Government has not managed its real property assets in a manner that saves costs to the Federal Government or promotes the highest and best use of the Nation's real property.

First, there is a lack of the most basic information on what property the Federal Government holds and how the holdings have changed annually.

In fact, our information and reporting systems here are almost nonexistent or nonusable, I should say, and one major part of our initiative will simply be to focus on the information part of the first, in order to better assess where we are and what the possibilities may be.

Second, there are very few incentives for agencies to evaluate their property holdings with regard to property that is unused or partially used; and there are virtually no incentives for Federal agencies to evaluate, as would a private firm, or business, whether their missions could be accomplished on less valuable land than that which they now occupy.

Third, the policies used to dispose of Federal property neither return to the Federal Government the full value of that property nor insure that it will be put to the most productive use after disposal.

As I have indicated, there is no reliable assessment of the current value of federally owned land and structures.

Property values are recorded by acquisition costs rather than current market value.

To use only one example or instance here, Mr. Chairman, the land on which the White House is situated is listed at a value of $1,000.

That is not to suggest that we have a leaseback sale in mind here or anything of the type but simply to illustrate the fact that the acquisition cost method of evaluation tells us practically nothing about what we own, its potential sale value, and so forth.

Likewise, we have no valid way to measure annual acquisition versus disposal. So in a sense, we have no idea really of what we have in the Government portfolio and how it is changed and how it might be better managed.

I think the most egregious failure is that real property assets are not scrutinized within the context of the annual budgetary review, as unbelievable as that may seem.

The only mechanism in the entire Federal executive process currently in place to evaluate land utilization is the real property survey program conducted by GSA. Yet in 1981, GSA surveyed only 194 Federal installations. That figure represents only seven-tenths of 1 percent of the approximately 25,000 Federal installations nationwide.

An effort at this minimal level simply cannot yield any substantial impact and it is something we intend to change in a decisive and major way.

The survey program, however, has produced as this committee is aware and we see some of the information here today, anecdotal evidence that agencies hold property even if that land is not being utilized.

For instance, the Department of Commerce maintains 5.1 acres of property valued at $1.2 million in Kekaha, Hawaii.

This site was originally acquired in 1958 by the National Bureau of Standards for use as a radio noise test site.

The station was closed in 1965 and since that time the property has housed only a small storage facility—a 1-floor, 360-square-foot cement building.

A GSA survey, conducted in 1980, determined that this parcel was not being utilized. The study team found that there were no employees assigned to the site and further, that the storage facility was only rarely used. The Department of Commerce has since agreed to declare the property excess. There are further examples of properties which are being only partially utilized.

That is just one illustration or what we believe to be thousands and thousands of cases in the attic, as you called it in one of your statements, that we intend to clean up and dispose of as part of this program.

Senator **Percy**. They are in the attic and we are going to move them down to the garage and have a garage sale.

Mr. **Stockman**. That might be a good method for the whole process that we are seeking to launch.

Another example—the Department of Defense currently maintains an installation in the Waikiki section of Hawaii. Fort De-

Russy consists of 72 acres of which 26 acres are beachfront property. The 46 acres behind the beachfront property have been developed to house a number of military facilities, for example, reserve center, chapel, barracks.

A high-rise hotel was constructed on the beachfront property by Department of Defense in 1975 and has been used as an R&R facility for the military since that time.

The hotel facility and its frontage occupy only one-third or 9 acres, of the beachfront section of the installation.

The remaining beachfront property, approximately 17 acres, has remained essentially undeveloped. That portion of the site, the unused 17 acres, is currently valued at the staggering total of $13 million per acre, or $221 million, just for this one site that I have here mentioned.

Senator PERCY. Mr. Stockman, I wonder if I could interrupt you there because I mentioned before you came in that I talked with Secretary Weinberger about the particular property the day before yesterday. And I talked to John Tower, chairman of the Armed Services Committee last night, about 1 o'clock this morning on the Senate floor.

I would like to show what this Fort DeRussy and the name sound quite good until you see what it is. It is not a defense military installation at all. Fort DeRussy is one of the most luxurious locations any place in the 50 States. This is the prime beachfront property on Waikiki.

These hotels are all clustered close together. This is the only hotel, I know, on the Department of Defense property, 73 acres that has that much property.

Fort DeRussy is described in a folder. [Laughter.]

Hale KOA Hotel, Armed Forces Recreation Center. Here is Hawaii.

The headline in the center spread page is "The fun keeps going at Hale KOA Hotel."

Then it describes what you can do on Sunday, Wednesday, and Friday with Tamas Hula Nanis all Polynesian show with buffet, then on Tuesday, you have a spaghetti western night. [Laughter.]

On Thursday you have a hula on the beach; Friday and Saturday, country and western dinner; Saturday night, dinner show, all at very reduced rates and as I indicated, all military personnel in the Pacific area, and Hawaii, and hardship post, are able to get these hotels at reduced discount rates for military personnel in their interest to help our Armed Forces but here you have 400, I think it is 416 luxury rooms, half of which are occupied by retired military personnel. The other half by those on active duty.

We will admit that the property which is owned by the U.S. Government—here is the swimming pools for those who don't want to use the sea. [Laughter.]

All the other areas, but this 416-room hotel, the physical facility has been essentially built with profits from the PX's, but all of the property is owned by the U.S. Government, 75 acres. The question is, you have indicated how much, just I think your testimony said how much 17 acres of it is worth; $221 million. That would bring property values up high enough. It would return taxation to Hawaii but under previous procedures until you put your orders in, this would have been offered first to any other Government agency that would want it and what agency wouldn't want it. The Department of Agriculture could have a wonderful research facility for growing turf on the sand. [Laughter.]

Think of all, or the State of Hawaii would have to be offered or the city of Honolulu. That is the kind of procedure the Federal Government has handled, operated under in the past. Again, I want to commend you, David Stockman, who has taken a few bumps in your life, I cannot imagine outside of the military personnel who use this and the retirees who use it, I cannot imagine a single American that feels that those old practices can continue any longer; that we can sit there with all of that unoccupied land on the tax roles and convert that into cash so that we can reduce that debt.

That is just one of, as you say, tens of thousands of examples that we can find. We just have to shake the Federal Government up now and find a way to do it. I don't know one better to do it than you. Please continue.

Mr. **Stockman**. Thank you, Mr. Chairman.

I had some hesitancy about including this example in my testimony but I am now glad I did offer you this opportunity to highlight the evidence even more.

Senator **Percy**. I felt I should get also Senator Tower's support last night or early this morning for taking a good hard look at it. I will keep the record open so that the letter that Secretary Weinberger has promised me as to what the Department of Defense is willing to do about this property that is inserted in the record at this point. We have not yet received the letter but we just had 36 hours from the time I talked to him and we will keep the record open for that purpose.

[The letter referred to follows:]

The Secretary of Defense,
Washington, D.C., March 8, 1982.

Hon. Charles H. Percy,
U.S. Senate,
Washington, D.C.

Dear Chuck: I want to express my appreciation to you and many of your colleagues in the Senate and the House for your support of the Administration's proposal to reduce the burden of the national debt by selling unneeded federal real estate. I can assure you that the Department of Defense is prepared to make a significant contribution to this effort.

At this time, when Americans are having to sacrifice to get the economy back on its feet and to strengthen the nation's defense capabilities, it is incombent upon the Department of Defense, and all Federal agencies, to achieve every possible efficiency and to minimize demands on the nation's resources. Since defense capabilities must be improved and defense spending must increase, it is especially important for the Department of Defense to find ways to reduce the burden on the nation's taxpayers. As part of this effort, we have already begun an intensive review of all our real estate holdings to find commercially valuable tracts of land that could be made available for sale without hurting defense capabilities. I look forward to presenting the results of that review soon.

Early attention has been focused on the open beachfront land on Fort DeRussy at Waikiki. This is a unique military recreation area. It would be no small sacrifice for military people of all Services stationed throughout the Pacific area to give up this important recreational facility, and it would unquestionably hurt morale, because recreational leaves at this area are greatly anticipated. However, I believe the times call for this kind of sacrifice. So, the Defense Department is prepared to make the open land at Fort DeRussy available for sale if the proceeds of that sale are actually used to reduce the national debt. As you know, under existing statutes, including Public Law 88-233, the land at Fort DeRussy would not bring one cent into the Federal treasury.

So, it is not enough to sell this land and other properties we will be identifying in the future. We must have the full support of the Congress to make it possible for us to sell these properties at fair market value and for the proceeds to be used to reduce the burden of the national debt. I am counting on this support.

Sincerely,

CAP.

Mr. STOCKMAN. I would like to move on to cite some other examples because this is one type of case, but I think there is another that is more important and that is those cases in which we have Federal activities operating on very high valued lands which could easily be done on properties of lower market value and thereby permit us to transfer or dispose of the current site.

A good case in point is the U.S. Mint Assay Office in New York City.

The mint acquired the building in 1932 for $4.4 million. The operations that have been conducted at this include processing and refining of gold and silver bullion and reclaiming the metal content of coins.

This site, which consists of a 4-story building and 42,000 square feet, is located on prime East River waterfront property in Lower Manhattan and is valued at $8.3 million. There is obviously no requirement for operations such as this to be carried out in a prime commercial area.

Mr. Chairman, even when a property is declared excess that property by law must first be offered to other Federal agencies as you have indicated.

In most cases, receiving agencies acquire these properties at no cost. Since these property transfers are essentially free, there are no economic incentives for Federal agencies to evaluate such asset acquisitions in the context of competing budgetary demands, nor must they compete with private sector bidders to determine the most productive use.

The second method of disposal is discount or no-cost property conveyances to State, local, and nonprofit entities for public benefit use.

Donations of this type represent, until we put on the freeze recently, more than 40 percent of total disposal actions by the Federal Government.

Unfortunately, as you are aware, abundant evidence exists that in some cases these properties are never put to the statutorily required use, primarily because grantees are unable to secure financing for development.

Oversight of donated property development by Federal monitoring agencies has been minimal and reversion actions to return properties to the Federal Government rarely when the promised use does not occur, have been rare indeed.

In 1978, GAO conducted a study of properties that had been donated for public benefit use. Of the 62 properties identified as problem cases and examined during the course of this study, 27 had not been developed as intended and 31 had been only partly developed or used.

Currently, properties are offered for public sale only after screening for Federal transfer and public benefit conveyances has occurred.

The sales process has not been conducted efficiently in the past as you indicated this morning. The Federal Government has not employed the effective marketing techniques used by the private sector such as comprehensive presale planning and offering of property contingent on rezoning changes.

In the best circumstances, there is a 2-year lag between the time a property is excessed and the time it is sold. Cumbersome disposal procedures and poor marketing techniques frequently increase this lagtime to 5 years or longer.

Additionally, the Government has not encouraged or educated a real estate profession to represent buyers in GSA sales.

The sales process is impeded even further by the requirement that Congress review all sales of property valued at over $1,000. The administration has submitted legislation which is now pending to increase the review threshold to $500,000, and thereby remove this one impediment.

Because many of the valuable excess properties are claimed by Federal agencies or public benefit grantees, those properties which finally do become available for sale from the surplus property inventory are not always highly marketable parcels.

The current surplus property inventory is illustrative. I would like to describe the contents of that inventory in some detail in order to correct reports which have appeared in the press estimating that the value of that inventory is $10 billion to $100 billion.

These reported estimates were apparently arrived at by applying an appreciation factor to the acquisition cost of the holdings now in the inventory. That acquisition cost was $1.11 billion, but the current market value of these properties is actually only slightly higher—$1.16 billion.

The current inventory breakdown is as follows:

Four hundred and one million dollars in property is earmarked for donation to Native Alaskans as required by the Alaska Native Claims Act. It consequently cannot be made available for sale under this program.

Another $73 million in holdings are properties for which sales receipts must be returned to the original holding agencies. These include military housing sites and properties held by Government-sponsored agencies.

$700 million in holdings are properties which, if sold, would yield receipts to the Treasury. This portion of the inventory consists of 425 parcels which were originally acquired and developed at a cost of $1 billion.

The $700 million current estimate may be overstated given that a good number of these parcels are old Defense Department industrial plants that contain obsolete equipment and are very difficult to sell.

I mention this because as we seek to remove volumes of these properties, in some cases it is clear that enormous appreciation has occurred because they are near developed areas and therefore the land value is increased, but we shouldn't assume that this is universally true. In many cases these properties that are no longer in use have a specific and unique governmental value, military value in many instances, and therefore their market value to the private sector would be much lower and there would be little appreciation and, in many cases, substantial depreciation.

This is important to recognize so that as we go through this process we realize some things will be way up, others won't, and that it will take a very careful effort to identify the appreciation that has occurred and the possible yield that we can get as we move to dispose of it.

Senator PERCY. The staff figures that we use here, of course, we did not take a total survey, just a spot survey and a sample was taken—the sample that was taken, the book value was $5.4 million, which was the acquisition cost. The estimated market value, minimum, $17 million, up to $26 million, probably a market selling price would be some place in the middle range there. So that we are talking about something four to five times greater than just the samples that we picked at random here.

Mr. STOCKMAN. I agree with Mr. Chairman and I think many of the properties your staff has uncovered near urban areas or District of Columbia will demonstrate that kind of appreciation.

I think the favorite example is the Beltsville property which I believe was purchased for $90 an acre and now some parcels in that area have gone for $50,000 an acre.

So you have an enormous, incredible appreciation factor.

The only caveat I put into the testimony and discussion at this point is that while that is often true for urban parcels, it is not true for many of the other holdings of executive agencies, particularly the Defense Department and of course part of our effort will be to make those determinations.

I would like to spend a couple of moments now to describe the initial activities that we have already launched and the plans that we have underway.

As you know, the administration has already taken any number of steps to address these problems, many of which we believe will yield immediate results.

I would like to address those steps that will improve management and disposal of developed properties held by the executive agencies, the GSA system.

Statutorily, it is within the discretion of the Director of OMB and the Administrator of GSA to set the rate of compensation for interagency Federal property transfers.

GSA has therefore prepared and will soon issue a regulation requiring any Federal agency that receives real property that has been declared excess by another Federal agency to pay 100 percent of the fair market value of that property.

This requirement will force agency managers to scrutinize all new property acquisitions in the context of competing budgetary demands. It is anticipated that this change will result in a decrease in property transfers within the Federal community and, consequently, an increase in properties available for sale to the public.

A second policy change is that of elimination of nearly all real property discount conveyances to State, local and nonprofit entities for public benefit use.

An informal freeze has already been placed by the GSA Administrator at your request, on transfers of this type.

Exceptions to this policy will be made only for property transfers earmarked for use as correctional facilities and other selected cases reviewed by a high level policy board.

This policy change will result in a further expansion in the supply of excess property available for sale.

These procedural changes have been made to improve management practices and to insure that the Federal Government receives full compensation for the property it disposes of. However, in order to attack the major systemic problems, efforts on a larger scale must be made.

The President will sign today an Executive order establishing a Federal Property Review Board composed of senior White House staff.

The mission of the Board will be to initiate an active disposal program designed to identify Federal holdings that are not being put to highest and best use and to expedite disposal of these properties.

All executive agencies will be required to conduct a review of real property holdings and to report to the Board within 60 days of the issuance of the order on properties that are unused or underutilized and could quickly be declared excess and available for disposal.

Mr. Chairman, we are not permitting any grass to grow up. We will have the initial list within 60 days of the most obvious candidates to get this program moving forward.

The Board will also develop policy in the areas of acquisition, utilization and disposal of real property holdings and will establish annual targets for amounts of property to be declared excess by each executive agency with a major role in this area.

The GSA Administrator will consult with the Board prior to approving any public benefit property conveyances, and the Board will arbitrate disputes between GSA and executive holding agencies on disposal of lands.

As stated in the President's budget, we are projecting that these measures will increase sales dramatically, yielding $1.2 billion in proceeds in 1983 and $2.2 billion annually thereafter from sale of GSA managed properties.

These estimates are based on the performance of a property review program that was conducted during the Nixon administration as part of the Parks for People initiative.

The goal of that program, which was implemented by a Property Review Board, was to identify excess Federal property that could be donated to State and local governments for use as park and recreational sites.

We have arrived at this figure not through some scientific methods because of the problem you are well aware of—inadequate information.

On the other hand, we think it is a solid and conservative estimate and I can offer just a couple of illustrations as to why we think that is the case.

Based on an assumption of minimum market value of $5,000 per acre for these developed properties, if we are able to sell only

400,000 acres per year or just over 1 percent of our 33 million acre acquired holdings, we will generate annual receipts of $2 billion.

In other words, the $5,000 is a conservative figure we believe for the most developed areas. Four hundred thousand acres a year is do-able, and that is one way to get to the $2 billion figure.

But, obviously, there are some parcels with much greater value per acre that could yield much greater receipts and so another way of looking at it is that this $5,000 per acre estimate may be extremely modest for some properties located in prime urban or suburban areas.

Annual sales of only four parcels of the size and the value of the Beltsville Agricultural Research Center would also yield nearly $2 billion per year.

Obviously, the mix that you actually end up disposing will be somewhere between the second case and the first case that I have mentioned but as you look at those figures and that potential, it is pretty clear to me that the $2 billion figure is a conservative one and hopefully we will be able to do much better.

Let me say a word or two about the USDA and Interior. The administration is also proposing to extend the Federal land sales and asset management program to the Departments of Interior and Agriculture and the Corps of Engineers. It is difficult, as the table indicates, to set a firm estimate on the value of these Agriculture and Interior lands. Land holdings, excluding Alaska, have remained roughly constant over the past several decades.

Federal land holdings in Alaska have decreased by 54 million acres during the past 20 years due to massive transfers under the Alaska Statehood Act and the Alaska Native Claims Settlement Act.

However, there have been substantial increases in park and refuge systems and a smaller increase in the National Forest System due to past policies of aggressive acquisition from private and other public sources and transfers from within the Federal estate.

As a result, our greatest natural treasures are protected, and Federal ownership of our remaining land holdings should be reviewed in that context.

For instance, BLM lands were those left over after other selections were made and thus their geographic pattern and value are quite varied. It is these residual BLM land and limited Forest Service lands with similarly patterned ownership problems that would be the major focus of a property management program.

The prime candidates for disposal will be:

Lands that cannot be efficiently managed due to the small size and location of the parcels.

Parcels proximate to urban or suburban areas that would contribute to local economic development.

Properties that may have potential for higher and better use in private ownership.

Properties managed by the Corps of Engineers and Bureau of Reclamation that may no longer be needed for efficient project management but may have high value for private development.

The following examples illustrate some situations where some sales of Federal lands might be in order to accommodate expanding communities.

Sparks, Nev., BLM owns approximately 4,000 acres within a 5-mile radius of the city. The 1980 population of Sparks was about 53,000 and the city had experienced almost a 70-percent growth rate over the past decade.

Obviously, this land would be attractive for sale and could generate large receipts.

The second example, Palm Springs, Calif., BLM owns approximately 8,900 acres within a 5-mile radius of the city center. Palm Springs has a population of 31,000 and experienced a 50-percent increase in growth over the last decade.

The value of that property is almost incalculable and the possibility for receipts are enormous.

The Forest Service also estimates that 150,000 acres in small isolated ownerships, road right of way and unintentional trespass situations could be disposed of through sale or other means.

As a rough estimate, we have calculated as much as $2 billion a year could be obtained from the sale of lands. Setting a target for the amount to be obtained from these land sales is difficult until we have a better assessment of the volume, locations, and approximate values of lands that should be sold.

Estimated values could go from $100 an acre for arid range land to over $10,000 an acre for land with water and road access and zoned for residential or commercial use.

One parcel of BLM land in Las Vegas, Nev., recently sold for $50,000 an acre, as an indication of the high end of the spectrum.

Senator PERCY. Mr. Stockman, I want to be sure that there is no implication here that in these figures that have been put out that there would be authorization for approval by the authors of the legislation. Certainly I am sure it would not initiate from you that would allow for sale of any public lands where there would be serious environmental implications or would in any way adversely affect national treasures. Those are excluded and certainly an oversight would be very, very strict on that. There is so much other types of property that really add nothing to it. Those are the ones we want to give the very high priority to.

Mr. STOCKMAN. That is absolutely correct, Mr. Chairman.

I think I indicated that in the beginning. I will underscore it again. We simply have no need or requirement or desire to look in the area of the national parks, wilderness and so forth.

What we are trying to deal with is the residual properties held in the inventory that could have private value without harm to environmental interests or the national treasures.

Mr. Chairman, as I have indicated, we expect $2 billion from sales on the public lands side of the spectrum.

The effort involved in identifying appropriate properties and then selling them is especially complex in this area.

Consequently we are not projecting receipts from this phase of the program until fiscal year 1984.

We do believe that a substantial array of properties should be considered for sale, but we intend to be very deliberate in designing the program and working very closely with Congress in accomplishing these objectives as we have just discussed.

Let me conclude, Mr. Chairman, by reiterating the goals of these initiatives. This administration is committed to improving the management of assets.

We will continue to insure protection of those lands that are held in the public trust by the Federal Government while meeting the Government's obligations to control and dispose of property assets in the most business-like and economical manner possible.

In addition to the increase in sales receipts, which will reduce the Government's need to borrow, we see additional benefits resulting from these efforts. The supply of property available for development and home sites will increase as will local tax roles.

Highest and best use of property holdings will be promoted and Federal property management costs will be reduced.

A comprehensive Federal policy that encompasses all phases of management from acquisition to disposal will be developed and Government-wide standards will be instituted for the first time to insure improved management in the future.

I am looking forward to working closely with the Congress and especially the three of you who have taken the lead in pioneering this effort here at this committee today. I would be most happy to respond to specific questions about our plans and intentions at the present time.

Senator PERCY. Thank you, very much, indeed, Mr. Stockman.

Before I begin my questioning, I would like to turn for an opening question to my colleague, Congressman Winn.

Representative WINN. Thank you, very much, Mr. Chairman.

David, you mentioned the Property Review Board and which the President will announce today.

I guess most of those people, as you say, will be the top staff at the White House as far as the policy regarding property acquisitions.

Does this mean that all the agency acquisitions would have to be approved by the White House?

Mr. STOCKMAN. Mr. Winn, that would not be the intention.

The Board would have two functions.

One is to settle policy, and certainly drive the management effort and coordinate with the agencies. The second would be to play an informal adjudicatorial role where differences develop between GSA which will have the lead responsibility on a day-to-day basis and agencies that have potential excess property. So we obviously wouldn't see this Board involved in day-to-day case by case decisions but we do think it is critically important that high level focus and urgent efforts be made and that this can best be done through the Property Review Board for which, as you know, there is a precedent from the period in the early 1970's where major efforts were successfully made to identify surplus property.

Representative WINN. I understand that it is a policy board but I wonder if there are going to be any outsiders.

This is very interesting because at 2 o'clock this afternoon, I was going to suggest the name of Elmer Staats, former Comptroller General of the United States, under nine Presidents to sit in on that Review Board or to be a consultant or adviser to that.

Is there a place for someone like that with his experience?

Mr. STOCKMAN. I think definitely so. The Board itself as constituted in the Executive order would include only current responsible officials.

However, there is no reason why we couldn't turn to the outside for advice, for consultants, for help in accomplishing the effort.

Thank you, very much.

Senator PERCY. I would like to join very much in suggesting also Elmer Staats, who worked with this committee for 14 years and we all share, including yourself, I know the highest regard for him. His ability to cut right through everything, his knowledge of Government is profound. He would be an immense help, I know.

Congressman Kramer?

Representative KRAMER. Thank you, Mr. Chairman.

Mr. Chairman, I noticed when the discussion about Fort DeRussy was taking place, I think this is a very critical question but I noticed that you shared with us what the program was at the hotel, Sunday, Monday, Tuesday, Thursday, Friday, and Saturday.

I wonder if Mr. Stockman can tell us what the program is on Wednesday? [Laughter.]

I would like to ask you, David, if during the course of analyzing a variety of market techniques that could be used for disposition whether or not you would at least in some cases in order to not only allow more public participation and make this program available to the average American, at least on potentially a lottery basis or some other basis, whether or not you would consider utilizing flexible terms, including low-interest rates or reasonable interest rates that might indeed have a very favorable, I would hope, psychology on the whole market in terms of where we are today with interest rates.

Mr. STOCKMAN. Mr. Kramer, that is something we could look at. It would be our intention at the present time—but you do raise the important point and that is obviously all of these conveyance will not be sales. So some people have said the $4 billion figure is too conservative.

We can do a lot better. But I just want to underscore here we are talking about $4 billion a year in cash receipts. So in terms of the value of properties that actually are conveyed or sold the dollars would be much higher.

We need to keep that in mind as we set realistic budget targets because I think one of the biggest mistakes we could make is to overpromise on what could be achieved and to have a series of hearings 2 or 3 years down the road in which we find out why those ambitious targets were not met.

So I think we have some pretty ambitious targets now but they would include part of your proposal, I believe, and that is that there would be term sales as well as cash sales for some of these properties.

But in terms of interest rate subsidy, I would be very reluctant about that, because one of the fundamental purposes here is to increase the cash receipts of the Government and if we were to subsidize the sales, we would simply have to borrow more out the other side to finance the higher debt that we would be facing during the year.

So I don't think that would be terribly sensible unless we wanted to make it possible for some people to have a crack at these properties on a discount basis. But that isn't in the horizon of our thinking at the present time.

Representative **Kramer**. If I might just respond for 1 minute, what I was thinking about, unlike, of course, where we participate in some kind of a program, whether it be student loan or some other kind of guaranteed loan, a subsidized rate of interest where we have to go out into the market, borrow the money at whatever the current treasury rates are and then in fact loan it back at half that rate, obviously thus causing an increase in our own deficit situation.

These properties are owned in fee. I would hope that at least it would not be viewed upon, at least considered in terms of the pure subsidy situation, because I don't believe it would be because there isn't anything to borrow in order to finance the purchase of these properties to begin with that are already owned.

Because I do believe if our ultimate goal is to get that rate of interest up, because if there is anything that I think is preventing the economic recovery that we all want to see take fruition and which the sides are already sewn to take place, I believe it is the interest rates. I believe that is the only impediment now to the full economic recovery in this country.

I also think those interest rates are largely psychological, at least 50 percent of them, where we are in terms of interest rates are psychological because I think the market is largely discounting the many situations for future anticipated increases and future anticipated inflation.

If the Government were to make some statement and I think this could be a potentially meaningful statement in terms of commitment for those lower rates where we wouldn't in fact have to subsidize those rates, I am wondering at least if it isn't worth considering whether it might not have a value for effect on the whole economy as a whole.

I have talked to a number of people who have indicated that. This indeed would be just the case.

Mr. **Stockman**. I appreciate the value of that and certainly there is a large psychological element in interest rates today.

However, I think there is also an enormous volume of Treasury borrowing hitting the market right now and prospectively for some time in the future.

It is simply the load of that Treasury borrowing on Treasury markets that is contributing to the pressure in interest rates that we face.

Frankly, I believe it would do more good to reduce the actual borrowing from quarter to quarter, year to year. The most rapid sale of properties possible would demonstrate an effective commitment to a lower interest rate in the future.

You can, perhaps, call that either way but I think the urgent need right now is to do anything we possibly can to reduce the cash takedown in the credit markets of this country by the Treasury and that argues for as rapid sales plan as we can put together.

Senator **Percy**. Thank you, very much, Congressman Kramer.

You have asked the question of what happens on Wednesday night out there. Never on Sunday. I cannot find a program for Sunday. But there is a program for Wednesday and every other night.

Wednesday is the Tamas Hula Nanis all Polynesian show with buffet, and that is only followed Tuesday, spaghetti, western spaghetti night, and Monday, I thought you ought to know that Monday is celebrity hour starting at 5 p.m. in the Mauka Lounge and management representatives are there to greet you and offer free hors d'oeuvres.

While interest rates are high, while unemployment is high, and the debt has reached $1 trillion and all these other adverse factors that we have, including unemployment facing us, the question should be raised because you indicated, you pointed this property out but I didn't see the bottom line there what your personal view is as to what we ought to do about it.

We are asking Secretary Weinberger for his judgment.

What do you think in your judgment should be done as we take a look at this 73 acres of property out there owned by the Department of Defense?

Do you think we ought to quickly appraise that and see how much of it can be made available for sale?

Mr. STOCKMAN. Mr. Chairman, it is my anticipation that that will be the first item on the 60-day list; that within 60 days we will have some answer for this committee as to what is appropriate and practical to do in that instance. But I think it is fairly clear that at least in the case of the excess property that is not being used in any way as part of this facility that that is something we want to consider very carefully for disposal.

Senator PERCY. That is a good start for the 80-day list. It is going to be, I think, a crowed list. Fortunately, now we already have $1 billion worth of property that has been declared excess or surplus. It is already there, I happen to know how long it takes GSA to sell things. When we are given the gifts by foreign governments that exceed the dollar value for token gifts, they are turned over to the State Department, who turn it over to the GSA, I would be interested in following those because we are eligible to bid on public bid like anyone else.

Sometimes you have to wait 6 or 7 years, by then you have sort of lost sentimental interest in the thing. They have lost the best potential bidder that you could get which is the purpose to whom the gift is given. There is some sentiment attached to it anyway. It takes 6 or 7 years before those things, they are very small, relatively speaking, how long does it take them? We find it takes years to make decisions and then years to finally come together to find a way to make a sale.

Would you think that our first priority ought to go on that billion dollars of items that are already declared surplus over which there is no question about it?

Mr. STOCKMAN. Mr. Chairman, I would agree with that.

As I indicated in my testimony, the average range is from 2 to 5 years to dispose of property after it is put on the list.

Clearly, that is not justified. That is not tolerable. We intend to do everything we possibly can to speed the process as we get a fuller understanding of the reasons for this kind of delay and lag.

Senator PERCY. The Federal Government has received requests for donations, that is gifts from the Federal Government, $1 trillion plus in debt today, it received requests for gifts as if it were a philanthropy for 900,000 acres of Bureau of Land Management properties in the West. Will the freeze that you have imposed on donations be extended to these properties as well? In other words, if we are going to dispose of them, will we sell them at Federal fair market value rather than just giving them away?

Mr. STOCKMAN. That poses a fairly delicate problem because before you started your efforts last year and before this fall we had come to the conclusion that a major surplus disposal program is needed.

The Secretary of the Interior had announced to State and local units of government that as part of his good neighbor policy he would be willing to consider making acreage available that wasn't needed for essential Federal purposes or part of the Federal domain.

In response to that invitation that was made in good faith, a number of requests, hundreds literally, have come from State governments and others.

What we are going to have to do here is very carefully explain that the policy is changing and to evaluate those requests on a case-by-case basis and determine how we can move from reverse to forward in this area.

I think we can probably resolve it without too much difficulty.

Senator PERCY. I would be concerned that we cannot freeze giveaways in Illinois and elsewhere if we allow this though. Let's work on that together possibly. You have been very good about some specific areas and our own staff and the Better Government Association will follow one of the great investigative units in the public sector.

We will followup with some specific cases. I would like to mention an area that our own staff has been looking at because some of these value properties that have been declared excess have been sitting around for years now because various Federal agencies have been trying to cook up reasons just to keep them.

One example is over the Pentagon. It is a piece of property that has been excessed, declared excess for 15 years. This property which is worth several million dollars absolutely prime property has not been sold because the Department of Commerce just in its gratuity has made a loan to the Navy of this property so they can park cars there.

At Fort Belvoir, in Virginia, there is over 100 acres of prime residential land that has been left and sitting unsold for over 3 years. It has remained unsold because it took the Postal Service 1 year to decide they didn't need the property, and for the last 2 years, the State Department has been studying the site as a possible training center.

What steps can you take to keep these properties from being stranded in the disposal process? What can we do to make sure that the taxpayer gets their money's worth out of these excess properties and we really get enough for sale and dispose of them so we can start using that cash to reduce the pressure on debt which drives up interest costs?

Mr. STOCKMAN. Mr. Chairman, I think the new policy of 100 percent fair market value for agency or interagency transfers will put a stop to a lot of the kind of practice you have just described there.

In the past, as long as it was no impact on an agency budget and property had been declared excess, why not take a look at it to see whether way down the road there might be some far out possible use for it. It seems to me now that with 100 percent fair market value requirement much of this dilatory process will evaporate because agencies other than those who have a serious purpose in mind would obviously not want to get into the consideration.

There are other things we probably could do as well, but I believe the 100 percent policy will have a major chilling effect on this kind of process.

Senator PERCY. I know that you and I agree that in debt collection, which is another scandal that the private sector should be brought in. Here we have had hundreds of years of practice in learning how to collect debts. The procedure we found is that the people pay their private sector debts also, every analysis we have made, before the public debt, the debt that they go to a loaning agency of the Federal Government except IRS. They are the one that they do respect. I met yesterday with 500 representative of the collection bureaus around the country to interest them in our legislation and they have a sense of excitement about the potential they can get as a return on investment for a very low cost. They have the techniques to really collect this money and $41 billion, as you know, is owed to us. The same thing may be true here. The private sector can be brought in, selling things is the business of the private sector. They do it all the time, whether it is real estate or they are brokers and dealers that do it for relatively modest commissions. Certainly we can negotiate those commissions down substantially from what an individual seller would have to do.

The report by the Better Government Association and my own staff's investigation indicates that GSA's disposal process, as I have indicated, is laboriously slow. Everytime there is a valuable piece of Government property to sell, it takes years to analyze it, then years to get it on the market. We took 61 pieces of property on the surpluses, found it averaged 6 years for GSA to sell the property. In Alexandria, Va., there is an extremely valuable piece of land that has been in negotiation for 5 years. It has been unused by the Federal Government, absolutely unused since 1969, 13 years.

In Washington, GSA has been trying to sell 7 acres of prime downtown real estate, right on top of the Judiciary Square Metro Station for 4 years. In spite of a booming real estate market in this area in the late seventies, GSA was able to attract only two bids on this property. In view of this, after all, in the private sector it takes an average of 6 months to move a piece of property, whereas the Federal Government takes years to move the same kind of property, can we turn in this area, as we are in debt collection, to use the private sector and the mechanisms at far less cost than it is for the Federal Government not really in the business of disposing of assets to set up a procedure for doing it with all of the bureaucracy involved?

Mr. STOCKMAN. Mr. Chairman, we intend to explore that very seriously. I don't have a complete answer for you today but obviously just on the face of it, that is a logical option to look at. We intend to do that in the very near future.

Representative WINN. Would the gentleman yield?

Senator PERCY. I would be happy to yield.

Representative WINN. I would like to say you make a very good point there and the private sector has the mechanism to go right now with appraisals for instance, rather than to have to wait for GSA to go through their normal slow process. We can get an outside appraiser, and pay them a fee, but you get it back out of the sale very quickly to add to the private sector participation.

I think that would help speed up the process.

Senator PERCY. Any comments?

Representative KRAMER. Thank you, Mr. Chairman.

David, as you know, in our country's beginning, we had a policy of disposition in order to not only solve this problem but also in order to generate significant revenues along the way. We turned away from that policy in the 1930's and, of course, we have been totally acquisition-oriented since then, as I think you so dramatically pointed out.

One out of three acres in this country almost is now owned by the Federal Government and something approaching half a million buildings, which by any measure is a lot of property and a lot of buildings.

I am delighted by your testimony and the steps you have taken in making sure this program is included in your 1983 budget. I think you are off to an excellent start, and I am also thrilled that in fact the administrative initiative has been so effectively used. However, in looking at that acquisition policy and a number of those statutes around which that policy is based and of course culminating in the Federal Land Management Policy Act of 1976 some disposition will be difficult without statutory change. I am wondering if you have a time frame yet in mind in which legislative suggestions may be forthcoming from your office or from the review board once it is established in order to accomplish this.

Mr. STOCKMAN. The answer to that would be we intend to undertake a thorough statutory review this spring, once more detailed plans begin to shape up for what we might do and what impediments exist in current law. We would hope that after that process is completed as quickly as possible we could send the legislative package to the Hill later in the spring or early in the summer; perhaps it would be possible to do it sooner but as you well know, the laws in this area are so complex that I think it will take us a period of time before we are sure precisely what are the appropriate changes to request.

Of course, we will work with you and the chairman of the committee and others interested to make sure that we have a package that is doable and that can be approved so that as we move into fiscal year 1983 and 1984, we have the law changes as well as the administrative changes that we need in order to implement the program.

Representative **Kramer**. Thank you very much.

Senator **Percy**. Thank you.

I would like to go back to the DOD for just a couple of minutes and put in the record at this point because we have only mentioned one facility in one State, Hawaii. There is the Army alone, obviously the Navy, other branches of the service all have their own recreational facilities off post, the Army operates off post recreational facilities at Fort Miles Travel Camp in Delaware; Clark Hill Recreation Area in Georgia; Forces Command Recreation Area in Georgia; USA Infantry Center Recreation Area in Florida; Reilly's Retreat Travel Camp in Kansas; Canyon Lake Recreation Area in Texas, and then four additional areas in Hawaii, aside Fort DeRussy.

With all these recreational areas, and with changing policies of upgrading our levels of pay in the military, when we have these properties in a department where our defense budget is escalating at such a rapid rate, when we are so concerend about getting more defense for our dollars, do you think it is possible for these facilities to just be left idle, sitting off by themselves, often valuable tracts of land? Is the administration going to take a hard look at these properties, all of these properties in terms of their potentially being declared surplus and being sold?

Mr. **Stockman**. Mr. Chairman, that would be our intention. We will take a careful look at your list, as well as all of those nominations that come in from the agencies during the first 60 days and thereafter as we move into the process.

Senator **Percy**. We are not, obviously, talking about closing any active military bases or bases that have, even if they are not active, have in the foreseeable future a need in the event of emergency, obviously. What we are really talking about is finding the DOD property and the acreage that they own or loan runs into millions, finding property that is simply not really, or should not be a part of our national defense effort or on their inventory and books, as such. Is there in your judgment any comprehensive analysis being made by the Department of Defense in this whole area? Is that underway now?

Mr. **Stockman**. Mr. Chairman, they are working on that now. They have been very interested and cooperative since this issue came to the fore a while back. We expect that as the process moves forward, we will have some very positive things to report to you and to implement.

Senator **Percy**. I understand that it might be possible to obtain a list within 60 to 90 days. Is that the best of your knowledge? Is that a feasible schedule?

Mr. **Stockman**. Yes.

Obviously that will be stage 1, the first step, but in the Executive order, we are asking the agencies to provide information on potentially excessable property within 60 days. That won't be comprehensive. That won't be complete, obviously. But it will be a starting inventory from which we can proceed.

Senator **Percy**. I will, because I trust there are DOD representatives in the room, they knew about this hearing—we will then plan hearings of this committee, that I will be chairing those hearings sometime this spring to thoroughly examine the Department of Defense properties alone. Those should have, I think, very, very high priority because of, as I say, the escalating budget, the feeling and concern that we are all having that we be spending too much in that area. We are starting to cut back weapons systems.

The President has said that it is important that we certainly ought to cut back in areas that are not urgent, are not important and not really related to the defense of this country under today's circumstances.

While the Department of Defense does own most of the 36 million Federal acres that are not in the public domain, 36 million that they own the majority of, we are going to look at every Federal agency's holdings to find land that is not essential for their operations and it could be sold.

As I have indicated, the tour that our staff has taken of Federal properties in the Washington Metropolitan area to see if there is unused Federal land turned up a virtual gold mine right here within walking distance, practically, of where we are. I mentioned a few of these examples in my opening statement and others are shown on the maps and photographs on display. If my own staff—they are good investigators—but if they could in a sense stumble upon this much unneeded Federal property in this cursory examination in a very short period of time, one can imagine what agencies are sitting on across the country and when they get the President's directive to followup by you on directing them to really look at this, I think we can find we have got gold mines every place and what we need is their cooperation, active support, and their knowledge that this committee will be continuing its oversight in this area without letup.

I've got a lot of responsibility in the foreign relations field but this is the area that is the big payoff. I think David and my colleagues, you might be interested, when I first came to the Senate, I established for my personal staff of the committees that I was on at that time, I had one or two committee members, as a minority, very low seniority Member of the Senate, a goal that each day their goal was to save my annual salary, every single legislative day. We passed that so fast that I thought the goal was much too low. They ought to save every legislative day and the annual cost of my entire office and the cost of my committee. That became far too low. We kept records for years.

The President at the time, who had been a Member of Congress, said he had never heard of a Member of Congress doing that. As a businessman, that seemed a natural thing to me to be sure I was never costing the taxpayers a penny, but giving a return on investment like an IRS agent is tested how effective he is. We are up in areas as you talk about billions and billions, as Everett Dirksen said, "a billion here, a billion there, you are talking real money."

We now have such a vast potential in this particular area that it is literally unlimited, and why we feel your enthusiasm for this is well warranted and why we are so appreciative of what you have been doing. Is there anything further that you could tell us about what the administration plans are to uncover the types of properties that we have been talking about, valuable land, pieces of property, buildings, unused and share with us any further thoughts on your own emotional feel about the potential that exists in these goldmines?

Mr. STOCKMAN. Mr. Chairman, I guess my further concluding thought would be not so much in terms of examples or details as it would be in encouragement to you to continue this oversight process as visibly and as aggressively and as relentlessly as possible.

As one who served in this institution before and has now moved to the other side of Government, I can tell you that we can get far more done if those agencies that we will be dealing with have the knowledge that one day or another they may be called before this committee to explain why they haven't cooperated with the program if that turns out to be the case.

So I think what you need to do is keep a high visibility profile on this issue and we will work on a coordinated basis with you in whatever arrangements that you think are appropriate to insure that jointly we get the job done.

But it is going to take publicity because we are trying to change here 40 years and 50 years worth of engrained habits, attitudes, and values down there in the bureaucracy.

One thing that can help change those habits and attitudes quickly is a clear recognition that the Congress means business and I am sure that is what your committee and your leadership in this area is can accomplish.

Senator PERCY. Time is running short now. I know you are on a tight schedule, Mr. Stockman.

To pin it down specifically as we possibly can, first of all, on the questioning we have done on Federal properties in the Washington, D.C. area that are underutilized, I think we are going to ask and put an official request to GAO that they follow up on the work that has been done by our staff in Washington, D.C. They take oversight because I think it is important with their large staff here that they really help us work on this. If we can find a quick analysis, regarding this much property, think what can be done with the outstanding staff at GAO. I think what we ought to do is set an example for the country that we right here in the Nation's Capital are going to set the example to see what can be done.

If we can see that would reduce Federal revenue because it cuts down the Federal underwriting of the Nation's capital budget. If we can put things back to work for them in their own community that they can tax rather than have it free of taxation, that is a far better way. We get it back double in many respects. We get the money for the sale of the property and then the Washington, D.C. gets the taxable revenue from that property that they can use to reduce the Federal deficit here and the underwriting of the District of Columbia.

Finally, as a request to you, could you see that an official in each executive agency is designated to be a point of contact with me and my staff so that we can work together to identify unneeded properties in a thorough agency-by-agency review?

Mr. STOCKMAN. Mr. Chairman, we would be most happy to cooperate as I indicated. I believe our intention at the present time with the Property Review Board would be to have an interagency group consisting of representatives from each agency that has major holdings functioning on an ongoing basis. I would suggest that in terms of working with your committee, that that interagency group would be the appropriate point of contact.

Senator PERCY. Thank you very much indeed. We will enjoy working with them and we will assign the necessary staff for that task. I would like to say that Senator Roth, chairman of the committee, of the overall committee, but Chairman Roth is obviously extraordinarily interested in this area, has been giving us full backing in subcommittee effort and I think most of our committee will find this one of the most productive areas that we have worked in.

Any final comment?

Representative KRAMER. Let me just again express my appreciation to you and David and Larry for your contribution in making this happen.

I really think, as you indicated a few minutes ago, the potential is unlimited and although I wouldn't go so far as to say this is the economic solution for our country, I think it can play a very, very important and key role in bringing about that economic solution to the problems.

Senator PERCY. Thank you very much indeed, Mr. Stockman.

[Mr. Stockman's prepared statement and letter to Senator Percy follows:]

PREPARED STATEMENT OF DAVID A. STOCKMAN

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I AM PLEASED TO APPEAR BEFORE YOU TO DISCUSS THE ISSUE OF MANAGEMENT OF FEDERAL REAL PROPERTY ASSETS. I WANT TO THANK YOU, MR. CHAIRMAN, FOR YOUR FORESIGHT AND LEADERSHIP IN HIGHLIGHTING THIS ISSUE TO THE CONGRESS AND THE AMERICAN PUBLIC. YOUR RESOLUTION OF OCTOBER 20, 1981, HAS SERVED TO SPUR AND FOCUS THE EFFORTS OF ALL OF US TO ADDRESS THE NEED TO IMPROVE DRAMATICALLY THE MANAGEMENT OF FEDERAL REAL PROPERTY ASSETS.

VASTNESS OF FEDERAL HOLDINGS

ACCORDING TO THE MOST RECENT SUMMARY REPORT OF FEDERAL REAL PROPERTY HOLDINGS (REPORTED IN 1979 AND PUBLISHED IN 1981), IT IS ESTIMATED THAT THE U.S. GOVERNMENT OWNS APPROXIMATELY 744 MILLION ACRES OF LAND, OR CLOSE TO ONE THIRD OF THE U.S. LAND MASS. THE GOVERNMENT'S VAST HOLDINGS INCLUDE 405,000 BUILDINGS WITH 2.6 BILLION SQUARE FEET OF BUILDING SPACE.

ALTHOUGH THESE ARE NOT ALL OFFICE BUILDINGS, THIS AMOUNT OF SPACE IS ABOUT FOUR TIMES LARGER THAN ALL OF THE OFFICE SPACE IN THE NATION'S TEN LARGEST DOWNTOWNS.

THE FEDERAL GOVERNMENT OWNS REAL PROPERTY IN EACH OF THE 50 STATES AND THE DISTRICT OF COLUMBIA. THE PROPORTION OF FEDERAL OWNERSHIP VARIES WIDELY FROM STATE TO STATE--FROM OVER 50% OWNERSHIP OF IDAHO, OREGON AND NEVADA, TO LESS THAN 1% OF NEW YORK, CONNECTICUT AND OHIO. THE FOLLOWING IS A SUMMARY OF ACREAGE OWNED BY REGION.

	Federal acreage	Total acreage	Percent Federally-owned
Alaska 1/	333.4 million	365.5 million	91.2%
Western	358.9 million	752.9 million	47.7%
S. Atlantic, S. Central, D.C.	28.9 million	561.2 million	5.1%
Northeastern, N. Central	22.3 million	587.6 million	3.8%
Hawaii	.6 million	4.1 million	14.6%
Total	744.1 million	2,271.3 million	32.7%

1/The most recent Summary Report of Real Property Holdings reflects 1979 data. Since that time Federally owned lands in Alaska have decreased and will continue to decrease as Alaska receives its 104 million acre entitlement under the Statehood Act and the Natives receive their 44 million acres under the Alaska Native Claims Act.

The Departments of Agriculture and Interior manage the greatest proportion of these holdings, about 710 million acres of Federal land, much of which is undeveloped. Approximately 20% of the Agriculture and

Interior land is in relatively restricted use as refuges, wilderness areas, and National Parks, such as Yellowstone and Yosemite. Let me pause here to state categorically that our intention to improve the management of our holdings poses no threat to our national treasures such as National Parks and Wild and Scenic Rivers. The remaining large public land tracts are used in part for commercial purposes such as grazing, energy and mineral development, dispersed recreation, and timber production.

Thirty-three million acres of land are held by civilian and defense agencies which have acquired and developed property to support agency missions. The Department of Defense owns over 90% of this acreage, an area larger than the entire State of Pennsylvania. Over the past 20 years, total acquired holdings have increased by 4 million acres--an increase of almost 14%. Disposal of developed properties is handled by the General Services Administration.

The Problem

Historically, the Federal Government has not managed its real property assets in a manner that saves costs to the Federal Government or promotes the highest and best use of the Nation's real property. First, there is a lack of the most basic information on what property the Federal Government holds and how the holdings have changed annually. Second, there are few incentives for agencies to evaluate their property holdings with regard to property that is unused or partially used; and there are virtually no incentives for Federal agencies to evaluate, as would a private firm, whether their missions could be accomplished on less valuable land than that which they now occupy.

THIRD, THE POLICIES USED TO DISPOSE OF FEDERAL PROPERTY NEITHER RETURN TO THE FEDERAL GOVERNMENT THE FULL VALUE OF THE PROPERTY NOR ENSURE THAT IT WILL BE PUT TO THE MOST PRODUCTIVE USE.

•SOME OF THE INFORMATION PROBLEMS INCLUDE THE FOLLOWING:

--THERE IS NO RELIABLE ASSESSMENT OF THE CURRENT VALUE OF FEDERALLY OWNED LAND AND STRUCTURES EITHER IN TOTAL OR ON A SITE BY SITE BASIS. PROPERTY VALUES ARE RECORDED BY ACQUISITION COST RATHER THAN CURRENT MARKET VALUE. FOR INSTANCE, THE LAND ON WHICH THE WHITE HOUSE IS SITUATED IS LISTED AT A VALUE OF $1,000.

--ALTHOUGH AGENCIES ARE REQUIRED TO SUBMIT TO GSA ANNUAL REPORTS ON REAL PROPERTY HOLDINGS, THE DATA ARE NOT REPORTED IN A WAY THAT PERMITS US TO CALCULATE THE COST OF NEW ACQUISITIONS OR IMPROVEMENTS. WE HAVE NO VALID WAY TO MEASURE ANNUAL ACQUISITION VERSUS DISPOSAL AT AN AGENCY LEVEL OR A GOVERNMENT-WIDE LEVEL.

--IN ADDITION TO THESE FLAWS IN THE REPORTING SYSTEM, THE QUALITY OF INFORMATION REPORTED IS UNEVEN, AND THERE IS NO MECHANISM BY WHICH TO VERIFY THE DATA.

--THE SUMMARY REPORTS THAT ARE PUBLISHED ARE TWO YEARS OUT OF DATE BY THE TIME THEY ARE PRINTED.

•BECAUSE THERE ARE NO ACCOUNTING OR REVIEW MECHANISMS FOR LAND HOLDINGS, THERE IS NO WAY TO ENSURE THAN FOR AGENCIES TO MANAGE PROPERTIES EFFICIENTLY. IF AN AGENCY REDUCING OR EVEN ELIMINATING OPERATIONS ON A

PARTICULAR SITE, THERE IS LITTLE INCENTIVE TO DECLARE THE PROPERTY EXCESS AND RELINQUISH HOLDING AUTHORITY. REAL PROPERTY ASSETS ARE NOT SCRUTINIZED WITHIN THE CONTEXT OF THE ANNUAL BUDGETARY REVIEW. THE ONLY MECHANISM CURRENTLY IN PLACE TO EVALUATE LAND UTILIZATION IS THE REAL PROPERTY SURVEY PROGRAM CONDUCTED BY GSA. IN 1981, GSA SURVEYED 194 FEDERAL INSTALLATIONS. THAT FIGURE REPRESENTS ONLY SEVEN TENTHS OF ONE PERCENT OF THE APPROXIMATELY 25,000 FEDERAL INSTALLATIONS NATIONWIDE. AN EFFORT AT THIS MINIMAL LEVEL CANNOT YIELD A SUBSTANTIAL IMPACT.

THE SURVEY PROGRAM HAS, HOWEVER, PRODUCED ANECDOTAL EVIDENCE THAT AGENCIES HOLD PROPERTY EVEN IF THAT LAND IS NOT BEING UTILIZED. FOR INSTANCE, THE DEPARTMENT OF COMMERCE MAINTAINS 5.1 ACRES OF PROPERTY VALUED AT $1.2 MILLION IN KEKAHA, HAWAII. THIS SITE WAS ORIGINALLY ACQUIRED IN 1958 BY THE NATIONAL BUREAU OF STANDARDS FOR USE AS A RADIO NOISE TEST SITE. THE STATION WAS CLOSED IN 1965 AND SINCE THAT TIME THE PROPERTY HAS HOUSED ONLY A SMALL STORAGE FACILITY—A ONE-FLOOR, 360 SQUARE FOOT CEMENT BUILDING. A GSA SURVEY, CONDUCTED IN 1980, DETERMINED THAT THIS PARCEL WAS NOT BEING UTILIZED. THE STUDY TEAM FOUND THAT THERE WERE NO EMPLOYEES ASSIGNED TO THE SITE AND FURTHER, THAT THE STORAGE FACILITY WAS ONLY RARELY USED. THE DEPARTMENT OF COMMERCE HAS SINCE AGREED TO DECLARE THE PROPERTY EXCESS. THERE ARE FURTHER EXAMPLES OF PROPERTIES WHICH ARE BEING ONLY PARTIALLY UTILIZED.

There are further examples of properties which are being only partially utilized.

The Department of Defense currently maintains an installation in the Waikiki section of Hawaii. Fort DeRussy consists of 72 acres of which 26 acres are beachfront property. The 46 acres behind the beachfront property have been developed to house a number of military facilities, e.g., reserve center, chapel, barracks.

A high-rise hotel was constructed on the beachfront property by Department of Defense in 1975 and has been used as an R&R facility for the military since that time. The hotel facility and its frontage occupy only one-third, or 9 acres, of the beachfront section of the installation. The remaining beachfront property, approximately 17 acres, has remained essentially undeveloped. That portion of the site is currently valued at $13 million per acre, or $221 million.

In addition to the practice of maintaining unneeded property assets, the Federal Government has a dismal record of evaluating land holdings against the criterion of highest and best use. Some Federal holdings that were initially acquired at low cost have substantially appreciated in value because of changing land use patterns. The Government has not responded to changing market demands for alternative uses of land and structures as have private sector owners of real property. Government agencies continue to maintain operations on high value sites even though these operations could be relocated to lower cost areas without any negative effects on the program.

The U.S. Mint Assay Office in New York City is a case in point. The Mint acquired the building in 1932 for $4.4 million. The operations

THAT HAVE BEEN CONDUCTED AT THIS SITE INCLUDE PROCESSING AND REFINING OF GOLD AND SILVER BULLION AND RECLAIMING THE METAL CONTENT OF COINS WITHDRAWN FROM CIRCULATION BY THE FEDERAL RESERVE. THIS SITE, WHICH CONSISTS OF A 4 STORY BUILDING AND A 42,000 SQ. FT. LOT, IS LOCATED ON PRIME EAST RIVER WATERFRONT PROPERTY IN LOWER MANHATTAN AND IS VALUED AT $8.3 MILLION. THERE IS OBVIOUSLY NO REQUIREMENT FOR OPERATIONS SUCH AS THIS TO BE CARRIED OUT IN A PRIME COMMERCIAL AREA. IN THE HANDS OF THE PRIVATE SECTOR, THE LAND COULD BE FULLY DEVELOPED AND PUT TO OPTIMUM ECONOMIC USE AS THE SITE FOR A HIGH RISE OFFICE BUILDING.

BEYOND THE ISSUE OF UNDERUTILIZED AND HIGHLY VALUED HOLDINGS, THERE HAVE BEEN A NUMBER OF PROBLEMS IDENTIFIED REGARDING THE MANNER IN WHICH THE GOVERNMENT DISPOSES OF EXCESS REAL PROPERTY. SOME OF THESE DIFFICULTIES ARE THE RESULT OF THE GOVERNMENT'S POLICY OF TRANSFERRING EXCESS PROPERTIES TO FEDERAL, STATE AND LOCAL GOVERNMENT AGENCIES AT A REDUCED VALUE.

WHEN A FEDERAL HOLDING AGENCY RELINQUISHES A PROPERTY EXCESS TO ITS NEEDS, THAT PROPERTY BY LAW MUST FIRST BE OFFERED TO OTHER FEDERAL AGENCIES. IN MOST CASES, RECEIVING AGENCIES ACQUIRE THESE PROPERTIES AT NO COST. SINCE THESE PROPERTY TRANSFERS ARE ESSENTIALLY FREE ACQUISITIONS, THERE IS NO ECONOMIC INCENTIVE FOR FEDERAL AGENCIES TO EVALUATE SUCH ASSET ACQUISITIONS IN THE CONTEXT OF COMPETING BUDGETARY DEMANDS NOR MUST THEY COMPETE WITH PRIVATE SECTOR BIDDERS TO DETERMINE THE MOST PRODUCTIVE USE. FURTHER, BECAUSE THESE PROPERTIES, WHICH COULD GENERATE RECEIPTS TO THE TREASURY, ARE WITHHELD FROM PUBLIC SALE, THE TAXPAYER BEARS THE ULTIMATE LOSS.

A SECOND METHOD OF DISPOSAL IS DISCOUNT OR NO-COST PROPERTY CONVEYANCES TO STATE, LOCAL AND NON-PROFIT ENTITIES FOR PUBLIC BENEFIT USE. DONATIONS OF THIS TYPE REPRESENT OVER 40 PERCENT OF TOTAL DISPOSAL ACTIONS. AUTHORITY FOR PUBLIC BENEFIT CONVEYANCES HAS BEEN GRANTED BY CONGRESS FOR A NUMBER OF SPECIFIC PURPOSES, SUCH AS HEALTH, EDUCATION AND RECREATION.

WHEN GSA DETERMINES THAT THERE IS NO FEDERAL REQUIREMENT FOR A PROPERTY IT ADDS THE SITE TO ITS PUBLISHED LIST OF AVAILABLE PROPERTIES. APPLICATIONS FOR PUBLIC BENEFIT CONVEYANCES BY STATE AND LOCAL GOVERNMENTS ARE FIRST SUBMITTED TO FEDERAL AGENCIES SUCH AS THE DEPARTMENT OF HEALTH AND HUMAN SERVICES, THE DEPARTMENT OF EDUCATION AND THE DEPARTMENT OF INTERIOR. ONCE THE FEDERAL AGENCY SCREENS AND CONCURS WITH THE APPLICATION, IT IS FORWARDED TO GSA FOR APPROVAL. WHEN GSA APPROVES A PUBLIC BENEFIT CONVEYANCE, THE INITIAL FEDERAL SCREENING AGENCY (E.G. DEPARTMENT OF HEALTH AND HUMAN SERVICES, DEPARTMENT OF EDUCATION) IS VESTED WITH RESPONSIBILITY FOR MONITORING DEVELOPMENT OF THE PROPERTY BY THE GRANTEE.

IN SOME CASES DONATED PROPERTIES ARE NEVER PUT TO THE STATUTORILY REQUIRED USE, PRIMARILY BECAUSE GRANTEES ARE UNABLE TO SECURE FINANCING FOR DEVELOPMENT. OVERSIGHT OF DONATED PROPERTY DEVELOPMENT BY FEDERAL MONITORING AGENCIES HAS BEEN MINIMAL AND REVERSION ACTIONS TO RETURN PROPERTIES TO THE FEDERAL GOVERNMENT RARELY OCCUR.

IN 1978 GAO CONDUCTED A STUDY OF PROPERTIES THAT HAD BEEN DONATED FOR PUBLIC BENEFIT USE. OF THE 62 PROPERTIES IDENTIFIED AS PROBLEM CASES AND EXAMINED DURING THE COURSE OF THE STUDY, 27 HAD NOT BEEN DEVELOPED AS INTENDED AND 31 HAD BEEN ONLY PARTLY DEVELOPED OR USED. ONE

ILLUSTRATION OF THIS IS THE DONATION IN 1971 OF PROPERTY TO D.Q. UNIVERSITY IN DAVIS, CALIFORNIA FOR EDUCATIONAL PURPOSES. THAT PROPERTY, WHICH IS VALUED AT OVER A HALF MILLION DOLLARS, HAS NEVER BEEN UTILIZED FOR THE INTENDED PURPOSE OR FOR ANY OTHER PURPOSE. ALTHOUGH THE UNIVERSITY'S NON-COMPLIANCE HAS BEEN WELL DOCUMENTED, ATTEMPTS TO RETURN THE LAND TO FEDERAL OWNERSHIP HAVE BEEN UNSUCCESSFUL.

IT HAS BEEN THE PRACTICE OF THE FEDERAL GOVERNMENT TO OFFER PROPERTIES FOR PUBLIC SALE ONLY AFTER SCREENING FOR FEDERAL TRANSFER AND PUBLIC BENEFIT CONVEYANCES HAS OCCURRED. THE SALES PROCESS HAS NOT BEEN CONDUCTED EFFICIENTLY IN THE PAST. THE FEDERAL GOVERNMENT HAS NOT EMPLOYED THE EFFECTIVE MARKETING TECHNIQUES USED BY THE PRIVATE SECTOR, SUCH AS COMPREHENSIVE PRE-SALE PLANNING AND OFFERING OF PROPERTY CONTINGENT ON REZONING CHANGES. IN THE BEST CIRCUMSTANCES, THERE IS A TWO YEAR LAG BETWEEN THE TIME A PROPERTY IS EXCESSED AND THE TIME IT IS SOLD. CUMBERSOME DISPOSAL PROCEDURES AND POOR MARKETING TECHNIQUES FREQUENTLY INCREASE THIS LAG TIME TO FIVE YEARS OR LONGER. ADDITIONALLY, THE GOVERNMENT HAS NOT ENCOURAGED OR EDUCATED THE REAL ESTATE PROFESSION TO REPRESENT BUYERS IN GSA SALES. THE SALES PROCESS IS IMPEDED EVEN FURTHER BY THE REQUIREMENT THAT CONGRESS REVIEW ALL SALES OF PROPERTIES VALUED AT OVER $1,000. THE ADMINISTRATION HAS SUBMITTED LEGISLATION WHICH IS NOW PENDING TO INCREASE THE REVIEW THRESHOLD TO $500,000.

BECAUSE MANY OF THE VALUABLE EXCESS PROPERTIES ARE CLAIMED BY FEDERAL AGENCIES OR PUBLIC BENEFIT GRANTEES, THOSE PROPERTIES WHICH FINALLY DO BECOME AVAILABLE FOR SALE FROM THE SURPLUS PROPERTY INVENTORY ARE NOT

ALWAYS HIGHLY MARKETABLE PARCELS. THE CURRENT SURPLUS PROPERTY INVENTORY IS ILLUSTRATIVE. I WOULD LIKE TO DESCRIBE THE CONTENTS OF THAT INVENTORY IN SOME DETAIL IN ORDER TO CORRECT REPORTS WHICH HAVE APPEARED IN THE PRESS ESTIMATING THAT THE VALUE OF THAT INVENTORY IS $10 BILLION TO $100 BILLION. THESE REPORTED ESTIMATES WERE APPARENTLY ARRIVED AT BY APPLYING AN APPRECIATION FACTOR TO THE ACQUISITION COST OF THE HOLDINGS NOW IN THE INVENTORY. THAT ACQUISITION COST WAS $1.11 BILLION, BUT THE CURRENT MARKET VALUE OF THESE PROPERTIES IS ACTUALLY ONLY SLIGHLY HIGHER - $1.16 BILLION.

THE CURRENT INVENTORY BREAKDOWN IS AS FOLLOWS:

—$401 MILLION (CURRENT VALUE) PROPERTY IS EARMARKED FOR DONATION TO NATIVE ALASKANS AS REQUIRED BY THE ALASKA NATIVE CLAIMS ACT. IT CONSEQUENTLY CANNOT BE MADE AVAILABLE FOR SALE.

—$73 MILLION (CURRENT VALUE) IN HOLDINGS ARE PROPERTIES FOR WHICH SALES RECEIPTS MUST BE RETURNED TO THE ORIGINAL HOLDING AGENCIES. THESE INCLUDE MILITARY HOUSING SITES AND PROPERTIES HELD BY GOVERNMENT-SPONSORED AGENCIES.

--$700 MILLION (CURRENT VALUE) IN HOLDINGS ARE PROPERTIES WHICH, IF SOLD, WOULD YIELD RECEIPTS TO THE TREASURY. THIS PORTION OF THE INVENTORY CONSISTS OF 425 PARCELS WHICH WERE ORIGINALLY ACQUIRED AND DEVELOPED AT A COST OF $1 BILLION. THE $700 MILLION CURRENT ESTIMATE MAY BE OVERSTATED GIVEN THAT A GOOD NUMBER OF THESE PARCELS ARE OLD

DEFENSE DEPARTMENT INDUSTRIAL PLANTS THAT CONTAIN OBSOLETE EQUIPMENT AND ARE VERY DIFFICULT TO SELL.

IN SUMMARIZING THE PROBLEMS I HAVE JUST OUTLINED I WOULD LIKE TO DESCRIBE ONE CASE OF WHICH THE COMMITTEE IS AWARE. IT REFLECTS THE RANGE OF DIFFICULTIES INHERENT IN THE FEDERAL GOVERNMENT'S REAL PROPERTY MANAGEMENT PRACTICES.

THE DEPARTMENT OF AGRICULTURE HAS HELD APPROXIMATELY 9,500 ACRES OF LAND IN BELTSVILLE, MARYLAND WHERE AGRICULTURAL RESEARCH PROGRAMS ARE CONDUCTED. ACQUISITION OF THIS SITE BEGAN IN 1910 WITH AN INITIAL INVESTMENT OF $860,000 OR $ 90 PER ACRE. PRIMARILY BECAUSE OF ECONOMIC DEVELOPMENT OVER THE PAST 70 YEARS, CHANGING THAT AREA FROM RURAL FARM LAND TO A DENSELY POPULATED SUBURB, LAND VALUES HAVE INCREASED SUBSTANTIALLY AND PARCELS ADJACENT TO THAT SITE HAVE COMMANDED $50,000 PER ACRE ON THE PRIVATE MARKET.

A GSA SURVEY IN 1978 IDENTIFIED 3,390 ACRES WHICH WERE RECOMMENDED BY THE STUDY TEAM FOR DISPOSAL DUE TO UNDERUTILIZATION. USDA SUBSEQUENTLY RELINQUISHED ONLY SLIGHTLY MORE THAN 1,000 ACRES. RATHER THAN OFFER THIS ACREAGE, VALUED AT $50 MILLION, FOR SALE, GSA TRANSFERRED 500 ACRES TO THE DEPARTMENT OF INTERIOR FOR DEVELOPMENT AS A WILDLIFE REFUGE AND AN ADDITIONAL 500 ACRES TO NASA FOR EXPANSION OF GODDARD SPACE FLIGHT CENTER. THESE TRANSFERS WERE MADE AT NO COST TO THE RECEIVING FEDERAL AGENCIES.

THE REMAINING LAND, 8,500 ACRES, WITH POTENTIAL SALES VALUE OF $425 MILLION, IS STILL HELD BY THE DEPARTMENT OF AGRICULTURE. IT MAY BE POSSIBLE TO CONDUCT ALL OR PART OF THE AGRICULTURAL RESEARCH PROGRAM ON

AN ALTERNATIVE, LOWER VALUE SITE AND TO FREE THE CURRENTLY HELD LAND FOR PRIVATE DEVELOPMENT. HOWEVER, THE GOVERNMENT HAS NEVER STUDIED THAT ISSUE AND CONSEQUENTLY CONTINUES TO HOLD PROPERTY THAT IS CLEARLY NOT DEVELOPED TO ITS OPTIMUM ECONOMIC USE.

WITH THESE ISSUES IN MIND, THE ADMINISTRATION IS IN FULL AGREEMENT WITH THE STATEMENT IN YOUR RESOLUTION (S-231) THAT IT IS NOW TIME FOR THE FEDERAL GOVERNMENT TO BEGIN "TO MANAGE ITS ASSETS IN A MANNER MORE PRUDENT AND BENEFICIAL TO THE INTERESTS OF THE AMERICAN PEOPLE". A FEDERAL POLICY MUST BE DEVELOPED TO ENSURE CONTROL OVER OUR REAL PROPERTY HOLDINGS, IMPROVE RESOURCE ALLOCATION BETWEEN THE PUBLIC AND PRIVATE SECTORS, AND PROMOTE OPTIMUM DEVELOPMENT OF THE NATION'S REAL PROPERTY ASSETS.

INITIATIVES - GSA MANAGED PROPERTIES

THE ADMINISTRATION HAS ALREADY TAKEN A NUMBER OF STEPS TO ADDRESS THESE PROBLEMS, MANY OF WHICH WILL YIELD IMMEDIATE RESULTS. I WOULD LIKE TO ADDRESS FIRST THOSE STEPS THAT WILL IMPROVE MANAGEMENT AND DISPOSAL OF DEVELOPED PROPERTIES HELD BY EXECUTIVE AGENCIES. SEVERAL POLICY CHANGES IN THE GSA DISPOSAL PROGRAM HAVE ALREADY BEEN MADE.

STATUTORILY, IT IS WITHIN THE DISCRETION OF THE DIRECTOR OF OMB AND THE ADMINISTRATOR OF GSA TO SET THE RATE OF COMPENSATION FOR INTERAGENCY FEDERAL PROPERTY TRANSFERS. GSA HAS, THEREFORE, PREPARED AND WILL SOON ISSUE A REGULATION REQUIRING ANY FEDERAL AGENCY THAT RECEIVES REAL PROPERTY THAT HAS BEEN DECLARED EXCESS BY ANOTHER FEDERAL AGENCY TO PAY 100% OF THE FAIR MARKET VALUE OF THAT PROPERTY. THIS REQUIREMENT WILL

FORCE AGENCY MANAGERS TO SCRUTINIZE ALL NEW PROPERTY ACQUISITIONS IN THE CONTEXT OF COMPETING BUDGETARY DEMANDS. IT IS ANTICIPATED THAT THIS CHANGE WILL RESULT IN A DECREASE IN PROPERTY TRANSFERS WITHIN THE FEDERAL COMMUNITY AND, CONSEQUENTLY, AN INCREASE IN PROPERTIES AVAILABLE FOR SALE TO THE PUBLIC.

A SECOND POLICY CHANGE IS THAT OF ELIMINATION OF NEARLY ALL REAL PROPERTY DISCOUNT CONVEYANCES TO STATE, LOCAL AND NON-PROFIT ENTITIES FOR PUBLIC BENEFIT USE. AN INFORMAL FREEZE HAS ALREADY BEEN PLACED BY THE GSA ADMINISTRATOR ON TRANSFERS OF THIS TYPE. EXCEPTIONS TO THIS POLICY WILL BE MADE ONLY FOR PROPERTY TRANSFERS EARMARKED FOR USE AS CORRECTIONAL FACILITIES AND OTHER SELECTED CASES REVIEWED BY A HIGH LEVEL POLICY BOARD. THIS POLICY CHANGE WILL RESULT IN A FURTHER EXPANSION IN THE SUPPLY OF EXCESS PROPERTY AVAILABLE FOR SALE.

THESE PROCEDURAL CHANGES HAVE BEEN MADE TO IMPROVE MANAGEMENT PRACTICES AND TO ENSURE THAT THE FEDERAL GOVERNMENT RECEIVES FULL COMPENSATION FOR THE PROPERTY IT DISPOSES OF. HOWEVER, IN ORDER TO ATTACK THE MAJOR SYSTEMIC PROBLEMS, EFFORTS ON A LARGER SCALE MUST BE MADE.

THE PRESIDENT WILL SIGN TODAY AN EXECUTIVE ORDER ESTABLISHING A FEDERAL PROPERTY REVIEW BOARD COMPOSED OF SENIOR WHITE HOUSE STAFF. THE MISSION OF THE BOARD WILL BE TO INITIATE AN ACTIVE DISPOSAL PROGRAM DESIGNED TO IDENTIFY FEDERAL HOLDINGS THAT ARE NOT BEING PUT TO HIGHEST AND BEST USE AND TO EXPEDITE DISPOSAL OF THESE PROPERTIES. ALL EXECUTIVE AGENCIES WILL BE REQUIRED TO CONDUCT A REVIEW OF REAL PROPERTY HOLDINGS AND TO REPORT TO THE BOARD WITHIN SIXTY DAYS OF THE

ISSUANCE OF THE ORDER ON PROPERTIES THAT ARE UNUSED OR UNDERUTILIZED AND COULD QUICKLY BE DECLARED EXCESS AND AVAILABLE FOR DISPOSAL.

THE BOARD WILL ALSO DESIGN A SYSTEM WHEREBY POTENTIALLY HIGH VALUE HOLDINGS NOT DEVELOPED TO THE OPTIMUM ECONOMIC USE WILL BE IDENTIFIED AND EVALUATED. THE CRITERIA FOR THIS EVALUATION WILL BE THE POTENTIAL FOR ECONOMIC DEVELOPMENT IN THE PRIVATE SECTOR AND THE COST AND FEASIBILITY OF RELOCATING AGENCY OPERATIONS TO LOWER VALUE SITES.

THE BOARD WILL DEVELOP POLICY IN THE AREAS OF ACQUISITION, UTILIZATION AND DISPOSAL OF REAL PROPERTY HOLDINGS AND WILL ESTABLISH ANNUAL TARGETS FOR AMOUNTS OF PROPERTY TO BE DECLARED EXCESS BY EACH EXECUTIVE AGENCY. THE GSA ADMINISTRATOR WILL CONSULT WITH THE BOARD PRIOR TO APPROVING ANY PUBLIC BENEFIT PROPERTY CONVEYANCES, AND THE BOARD WILL ARBITRATE DISPUTES BETWEEN GSA AND EXECUTIVE HOLDING AGENCIES. THE BOARD WILL EXAMINE CURRENT MARKETING AND SALES PROCEDURES AND WILL RECOMMEND ALTERNATIVE PRACTICES TO ACCELERATE GSA SALES AND IMPROVE MARKETING TECHNIQUES.

AS STATED IN THE PRESIDENT'S BUDGET, WE ARE PROJECTING THAT THESE MEASURES WILL INCREASE SALES DRAMATICALLY, YIELDING $1.2 BILLION IN PROCEEDS IN 1983 AND $2.2 BILLION ANNUALLY THEREAFTER FROM SALE OF GSA MANAGED PROPERTIES.

THESE ESTIMATES ARE BASED ON THE PERFORMANCE OF A PROPERTY REVIEW PROGRAM THAT WAS CONDUCTED DURING THE NIXON ADMINISTRATION AS PART OF THE "PARKS FOR PEOPLE" INITIATIVE. THE GOAL OF THAT PROGRAM, WHICH WAS

IMPLEMENTED BY A PROPERTY REVIEW BOARD, WAS TO IDENTIFY EXCESS FEDERAL PROPERTY THAT COULD BE DONATED TO STATE AND LOCAL GOVERNMENTS FOR USE AS PARK AND RECREATIONAL SITES. WHEN THIS EARLIER BOARD WAS IN FULL OPERATION THE ANNUAL LEVEL OF ACREAGE EXCESSED WAS 700% HIGHER THAN THE CURRENT LEVEL OF 10,000 ACRES PER YEAR. THIS ILLUSTRATES THE IMPORTANCE OF HIGH LEVEL EXECUTIVE BRANCH ATTENTION, AND THE WEAKNESS OF OUR FEDERAL PROPERTY MANAGEMENT SYSTEM IN THE ABSENCE OF SUCH ATTENTION.

WE ARE CONFIDENT THAT ONCE THE EFFORTS OF THE NEW PROPERTY REVIEW BOARD ARE FULLY IMPLEMENTED, THE GOVERNMENT WILL BEGIN TO YIELD RECEIPTS OF ABOUT $2 BILLION ANNUALLY FROM SALE OF GSA MANAGED PROPERTIES. AS MENTIONED PREVIOUSLY, OVER THE PAST 20 YEARS, 4 MILLION ACRES OF PROPERTY HAVE BEEN ACQUIRED IN GSA MANAGED HOLDINGS. IF WE ASSUME A MINIMUM MARKET VALUE OF $5,000 PER ACRE FOR THESE DEVELOPED PROPERTIES AND WE ARE ABLE TO SELL ONLY 400,000 ACRES PER YEAR OR JUST OVER ONE PERCENT OF OUR 33 MILLION ACRE ACQUIRED HOLDINGS, WE WILL GENERATE ANNUAL RECEIPTS OF $2 BILLION.

THIS $5,000 PER ACRE ESTIMATE MAY BE EXTREMELY MODEST FOR SOME PROPERTIES LOCATED IN PRIME URBAN OR SUBURBAN AREAS. ANNUAL SALE OF ONLY FOUR PARCELS THE SIZE AND VALUE OF THE BELTSVILLE AGRICULTURAL RESEARCH CENTER WOULD ALSO YIELD NEARLY $2 BILLION PER YEAR.

INITIATIVES - AGRICULTURE AND INTERIOR LANDS

THE ADMINISTRATION IS ALSO PROPOSING TO EXTEND THE FEDERAL LAND SALES AND ASSET MANAGEMENT PROGRAM TO THE DEPARTMENTS OF INTERIOR AND AGRICULTURE AND THE CORPS OF ENGINEERS. IT IS DIFFICULT TO

SET A FIRM ESTIMATE ON THE VALUE OF THESE LANDS. THE PROPOSAL IS BASED ON THE SHEER SIZE OF THE FEDERAL GOVERNMENT AS AN EXTREMELY LARGE LANDOWNER OVERALL IN COMPARISON TO THE REST OF THE UNITED STATES LAND BASE, ESPECIALLY IN MANY OF THE WESTERN STATES. AS I MENTIONED EARLIER, SOME OF THIS LAND IS IN SPECIALLY PROTECTED CATEGORIES, SUCH AS NATIONAL PARKS, THAT HAVE BEEN SPECIFICALLY SET ASIDE FOR THIS AND FUTURE GENERATIONS AND WOULD NOT BE UNDER CONSIDERATION AS PART OF THE PROPERTY MANAGEMENT PROGRAM. THE FOLLOWING TABLE SHOWS INTERIOR'S AND AGRICULTURE'S LAND HOLDINGS:

DEPARTMENTS OF INTERIOR AND AGRICULTURE LAND HOLDINGS

(OTHER THAN ALASKAN LANDS)

(MILLIONS ACRES)

DEPARTMENT OF INTERIOR	1960 1/	1970 1/	1980 1/	1981 2/
BUREAU OF LAND MANAGEMENT	178	175	175	175
FISH AND WILDLIFE SERVICE	8	8	9	13
NATIONAL PARK SERVICE	15	17	20	22
OTHER	14	14	8	8
TOTAL (DOI)	215	214	212	218
DEPARTMENT OF AGRICULTURE				
FOREST SERVICE	165	166	166	167
TOTAL (EXCLUDING ALASKA) 3/	380	380	378	385

1/DATA FROM PUBLIC LAND AND STATISTICS (DATES: 1960, 1970, 1980)

2/DATA SUPPLIED BY THE DEPARTMENTS OF AGRICULTURE AND THE INTERIOR.

3/TOTAL INCLUDING ALASKA AS FOLLOWS: 1960 - 738 MILLION ACRES
1970 - 728 MILLION ACRES
1980 - 703 MILLION ACRES
1981 - 684 MILLION ACRES

AS THE TABLE INDICATES, AGRICULTURE AND INTERIOR LAND HOLDINGS EXCLUDING ALASKA HAVE REMAINED ROUGHLY CONSTANT OVER THE PAST SEVERAL DECADES. FEDERAL LAND HOLDINGS IN ALASKA HAVE DECREASED BY 54 MILLION ACRES DURING THE PAST TWENTY YEARS DUE TO MASSIVE TRANSFERS UNDER THE ALASKA STATEHOOD ACT AND THE ALASKA NATIVE CLAIMS SETTLEMENT ACT. HOWEVER, THERE HAVE BEEN SUBSTANTIAL INCREASES IN PARK AND REFUGE SYSTEMS AND A SMALLER INCREASE IN THE NATIONAL FOREST SYSTEM DUE TO PAST POLICIES OF AGGRESSIVE ACQUISITION FROM PRIVATE AND OTHER PUBLIC SOURCES AND TRANSFERS FROM WITHIN THE FEDERAL ESTATE. AS A RESULT, OUR GREATEST NATURAL TREASURES ARE PROTECTED, AND FEDERAL OWNERSHIP OF OUR REMAINING LAND HOLDINGS SHOULD BE REVIEWED IN THAT CONTEXT.

FOR INSTANCE, BLM LANDS WERE THOSE LEFT OVER AFTER OTHER SELECTIONS WERE MADE AND THUS THEIR GEOGRAPHIC PATTERN AND VALUE ARE QUITE VARIED. IT IS THESE RESIDUAL BLM LAND AND LIMITED FOREST SERVICE LANDS WITH SIMILARLY PATTERNED OWNERSHIP PROBLEMS THAT WOULD BE THE MAJOR FOCUS OF A PROPERTY MANAGEMENT PROGRAM.

THE PRIME CANDIDATES FOR DISPOSAL WILL BE:

--LANDS THAT CANNOT BE EFFICIENTLY MANAGED DUE TO THE SMALL SIZE AND LOCATION OF THE PARCELS.

--PARCELS PROXIMATE TO URBAN OR SUBURBAN AREAS THAT WOULD CONTRIBUTE TO LOCAL ECONOMIC DEVELOPMENT.

--PROPERTIES THAT MAY HAVE POTENTIAL FOR HIGHER AND BETTER USE IN PRIVATE OWNERSHIP.

—PROPERTIES MANAGED BY THE CORPS OF ENGINEERS AND BUREAU OF RECLAMATION THAT MAY NO LONGER BE NEEDED FOR EFFICIENT PROJECT MANAGEMENT BUT MAY HAVE HIGH VALUE FOR PRIVATE DEVELOPMENT.

THE FOLLOWING EXAMPLES ILLUSTRATE SOME SITUATIONS WHERE SOME SALES OF FEDERAL LANDS MIGHT BE IN ORDER TO ACCOMMODATE EXPANDING COMMUNITIES:

—SPARKS, NEVADA. BLM OWNS APPROXIMATELY 4,000 ACRES WITHIN A 5 MILE RADIUS OF THE CITY. THE 1980 POPULATION OF SPARKS WAS ABOUT 53,000 AND THE CITY HAD EXPERIENCED ALMOST A 70 PERCENT GROWTH RATE IN THE PAST DECADE.

—PALM SPRINGS, CALIFORNIA. BLM OWNS APPROXIMATELY 8,900 ACRES WITHIN A 5 MILE RADIUS OF THE CITY CENTER. PALM SPRINGS HAS A POPULATION OF 31,000 AND EXPERIENCED A 50 PERCENT INCREASE IN GROWTH OVER THE LAST DECADE.

SOME FOREST SERVICE CASES ARE OR HAVE BEEN THE SUBJECT OF RECENT LEGISLATION:

—THE FOREST SERVICE OWNS 256 ACRES IN THE CITY OF FLAGSTAFF, ARIZONA. PART OF THIS AREA HAS BEEN USED AS A CITY PARK SINCE 1917. RECENT LEGISLATION PROVIDES AUTHORITY TO SELL THIS PROPERTY.

—Special legislation is being sought by the Forest Service to permit sale of the Blythe Arena—the ice skating area used for the 1960 Olympics in Squaw Valley, California.

—The Forest Service also estimates that 150,000 acres in small isolated ownerships, road right-of-way, and unintentional trespass situations should be disposed of through sale or other means.

As a rough estimate we have calculated that as much as $2 billion per year could be obtained from the sale of public lands. Setting a target for the amount to be obtained from these land sales is difficult until we have a better assessment of the volume, locations, and approximate values of lands that should be sold. Estimated values could go from $100 an acre for arid range land to over $10,000 an acre for land with water and road access and zoned for residential or commercial use. One parcel of BLM land in Las Vegas, Nevada, recently sold for $50,000 an acre, as an indication of the high end of the spectrum.

The effort involved in identifying appropriate properties and then selling them is complex. Consequently, we are not projecting receipts from this phase of the program until FY 1984. We do believe that a substantial array of properties should be considered for sale, but we intend to be very deliberate in designing the program. We hope to work very closely with the Congress in accomplishing this program.

Implementation of the limited program of land sales will involve:

—identifying specific tracts that can be better managed by non-Federal owners because of size, location, or use considerations;

—enacting of legislation providing authority where necessary to sell Federal lands efficiently;

—ACCOMPLISHING FIELD WORK TO READY SPECIFIC PROPERTIES FOR SALE INCLUDING SURVEYS AND APPRAISALS; AND

—ACTUAL SALE OF PROPERTIES.

AT THIS STAGE IN THE PROCESS WE CANNOT ADDRESS SPECIFIC TRACTS TO BE SOLD OR ALL OF THE SPECIFIC ISSUES ABOUT THE PROPERTY MANAGEMENT PROGRAM. HOWEVER, OUR GENERAL DIRECTION WILL BE TO ACHIEVE THE OBJECTIVES OF PROTECTING THOSE RESOURCES WHICH PROPERLY BELONG IN FEDERAL OWNERSHIP, DEVELOPING SPECIFIC CRITERIA FOR DISPOSABLE LANDS, AND GETTING THESE LANDS INTO A FORM OF OWNERSHIP THAT PERMITS THEIR HIGHEST AND BEST USE.

PROGRAM GOALS

THIS ADMINISTRATION IS COMMITTED TO IMPROVING THE MANAGEMENT OF ASSETS. WE WILL CONTINUE TO ENSURE PROTECTION OF THOSE LANDS THAT ARE HELD IN THE PUBLIC TRUST BY THE FEDERAL GOVERNMENT WHILE MEETING THE GOVERNMENT'S OBLIGATION TO CONTROL AND DISPOSE OF PROPERTY ASSETS IN THE MOST BUSINESS-LIKE AND ECONOMICAL MANNER POSSIBLE.

IN ADDITION TO THE INCREASE IN SALES RECEIPTS, WHICH WILL REDUCE THE GOVERNMENT'S NEED TO BORROW, WE SEE ADDITIONAL BENEFITS RESULTING FROM THESE EFFORTS. THE SUPPLY OF PROPERTY AVAILABLE FOR

DEVELOPMENT AND HOMESITES WILL INCREASE, AS WILL LOCAL TAX ROLLS. HIGHEST AND BEST USE OF PROPERTY HOLDINGS WILL BE PROMOTED, AND FEDERAL PROPERTY MANAGEMENT COSTS WILL BE REDUCED. A COMPREHENSIVE FEDERAL POLICY THAT ENCOMPASSES ALL PHASES OF MANAGEMENT FROM ACQUISITION TO DISPOSAL WILL BE DEVELOPED, AND GOVERNMENT-WIDE STANDARDS WILL BE INSTITUTED FOR THE FIRST TIME TO ENSURE IMPROVED MANAGEMENT IN THE FUTURE.

I AM LOOKING FORWARD TO WORKING CLOSELY WITH THE CONGRESS IN A JOINT EFFORT THROUGHOUT THIS PROCESS.

I WOULD BE PLEASED TO ANSWER ANY QUESTIONS YOU MAY HAVE.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

MAR 16 1982

Honorable Charles H. Percy
Chairman, Subcommittee on Energy,
Nuclear Proliferation, and Government Processes
Committe on Governmental Affairs
United States Senate
Washington, D. C. 20210

Dear Mr. Chairman:

As a follow-up to questions raised by your Committee during the February 25th hearing, I am pleased to provide the following information regarding future sale of public lands.

The Administration intends to implement this phase of the Real Property Management Program in a well-planned and deliberate manner. There is currently limited data available regarding the size, location and market value of potentially disposable properties in the public lands category. The Administration has therefore initiated a thorough program and policy review by the Departments of Agriculture and Interior for the purpose of gathering the information required to design a disposal program. Additionally, the Department of Justice is conducting a comprehensive legislative analysis of statutory and regulatory requirements that affect sale of public lands. Until these data gathering efforts are completed and the Property Review Board has had an opportunity to review this information, a large scale disposal program cannot be implemented. For that reason we do not project receipts from that phase of the program until 1984.

All decisions regarding sale of public land holdings will be made in the context of honoring the Federal Government's obligation to maintain and protect National treasures such as National Parks and Wild and Scenic Rivers. The Administration's Real Property Management Program initiatives will in no way jeopardize the preservation of land holdings in these categories.

Although, at this time, we cannot identify all categories of property that will be proposed for sale, we can say that our first priorities will be those scattered and isolated parcels that cannot be efficiently managed due to their small size and location, and parcels contiguous to urban and suburban areas that inhibit local economic development.

Again, let me express my profound appreciation for your efforts and leadership in the endeavor to better manage and utilize the Nation's real property assets. I pledge my close cooperation and willingness to assist in any way possible to achieve this mutually shared goal.

Sincerely,

David A. Stockman
Director

Senator PERCY. Our next witness is Terry Brunner, executive director, and Mr. Larry Yellen, investigator/attorney, Better Government Association, and they will be accompanied by Ms. Leslie Wollack.

To my colleagues I would like to say I am particularly pleased to be working closely in this area with the Better Government Association, an organization that has operated in Chicago for many decades. I have only had the privilege of working with them 30 years, but have developed the greatest respect for one of the best watchdogs of Government, local, State, Federal, that I have ever worked with.

It is so cost effective. The return on investment which donors have contributed has been great. All of this money comes from the private sector—individual foundations, organizations that really feel that this is one of the best ways to improve the Government in this country.

I am so proud of the group that originated in Chicago, and is now operating here in Washington and in other areas.

The investigation, Mr. Brunner, that you and the colleagues and the UPI have just completed on the GSA property disposal system offers a clear example of how the best interests of the taxpayer can be stymied by the political influence, parochial interest and bureaucratic bumbling.

I am eager to hear what you found in the study, how we can work together to bring about the reform needed in the property disposal area.

In the coming months our staffs will be addressing legislation to, among other things, streamline the GSA property disposal system. We are directing staff to work with you in drafting this legislation so that we can benefit from your expertise just as we are working with the environmentalists and will be in the future to see that we build in everything that we possibly can to protect those areas that we clearly are not in any way impinging upon in this area of management of Federal assets.

We would be very happy to have your testimony at this time.

TESTIMONY OF J. TERRENCE BRUNNER, EXECUTIVE DIRECTOR, BETTER GOVERNMENT ASSOCIATION, CHICAGO, ILL., ACCOMPANIED BY LARRY YELLEN, INVESTIGATOR-ATTORNEY AND LESLIE WOLLACK, INVESTIGATOR

Mr. BRUNNER. Thank you, Senator.

As you mentioned, BGA is a nonprofit, nonpartisan national civic watchdog organization with offices in Chicago and Washington. I have with me one of our lawyers, Larry Yellen, an investigator, Leslie Wollack, and I thought that if we might, we would submit the testimony for the record, that I might go through it and make a few highlights.

As you mentioned, we did a 5-month investigation with UPI, particularly with Gregory Gordon, which was a study of the Government's surplus real property disposal system.

Let me emphasize that we are not asking as a matter of policy whether the Government should undertake a massive effort to sell or otherwise dispose of surplus Federal properties. Instead, our investigation sought to examine the Government's handling of surplus properties in recent years; we were looking at the Government's performance as its own real estate agent.

Our investigation has revealed that there are large areas of unused properties not yet on the surplus rolls, especially among Defense Department holdings. But we have also discovered that land is an important Government resource, and that property disposals are inherently more permanent than decisions of policy. Such decisions therefore require more caution.

It is this very characteristic—the long-lasting impact of our land disposals—which requires that the Government have a workable system of identifying and disposing of surplus land. We have been working at this since 1949, when the present Act was put into effect. The report with that act stated that the "need for an improved and efficient property management program * * * is becoming ever more apparent."

Since then, Senator, conditions have changed markedly, real estate values have soared, interest rates have become more volatile, Government bodies at all levels are facing increasing financial difficulties. The BGA examined the Government's real estate disposals in the context of these new realities, and we found serious problems throughout the surplus property disposal system.

Before discussing our specific findings, I would like to briefly provide an overview of the problems we uncovered in our 5-month study. Generally, we found the disposal system to be a complex web of conflicting interests, with Federal agencies showing little trust in one another, and local governments showing similar reluctance to cooperate toward efficient disposal of surplus properties. The system contains few if any incentives for a rapid identification and disposal of surplus lands.

Most of the incentives really evolve around the system until later as it goes along, Senator.

In the area of negotiated sales we found a system plagued by bitter negotiations lasting 4 or 5 years, while properties suffered millions of dollars in damages and remained off local tax rolls.

In the area of sales by competitive bid, we found a system with broad grants of discretion which is highly susceptable to political meddling.

In the area of donated surplus properties, we found that recipients sometimes misuse properties or fail to use the properties at all, despite grandiose promises of development.

Furthermore, deadlines governing disposals are routinely ignored. A June 1981 inventory of General Services Administration holdings included 61 properties which were declared surplus or excess more than 7 years ago.

These problems are found in a system which disposes of approximately two-thirds of its surplus properties by donation rather than sale. Any rapid increase in property sales would without question stretch this system beyond its limits.

We would like to take a look first at the area of negotiated sales and there we found for States and cities the negotiated sales options provides an opportunity to purchase a surplus Federal property before it is made available for competitive bidding by the general public. In 1981, measured by dollar value, a remarkable 82 percent of all surplus sales were handled by negotiated sale, rather than by competitive bid; in 1980, the figure was 87 percent. These figures suggest that the most valuable properties are frequently sold to cities or States by negotiated sale, a process in which we found two serious flaws.

First, the negotiated sale of a major piece of property often required 4 to 6 years for completion. Second, the sensitive negotiations were often riddled with political overtones.

The extended delays in negotiations are often caused by little more than stubborn negotiators—city, State and Federal officials who bicker for years over a number of matters, especially price; particularly the price to determine the fair market value.

On one side of the table is the GSA, bound by law to sell the property at its estimated fair market value. On the other side is the financially strapped local government, desperately seeking to pry the property from the Federal Government at a bargain price.

We would like to turn your attention to an example which we believe is a classic lesson in how not to handle the negotiated sale of a surplus property—the historic Philadelphia Naval Home. I think we have a picture of it up here. It is the second one down on the chart on the right. This is in Philadelphia, designed by noted architect, William Strickland, and is considered one of the top examples of Greek Revival Architecture in the United States. The home opened in 1833 as a naval asylum, the first Federal institution for the care of sick, disabled, and indigent sailors. Since then, the facility has served as a Governor's residence and residence for the Surgeon General.

In August 1976, the property was declared surplus by the Navy and thus began a 5-year tale of postponements, missed deadlines, extensive deterioration, and bureaucratic infighting which might generously be referred to as an embarrassing debacle for the U.S. Government and the city of Philadelphia.

The chart traces events which have occurred since the home was declared surplus. The property first sat unused for about 1 year while GSA waited for a promised Job Corps program to materialize and occupy the site. The Labor Department finally withdrew its interest in the property, unable to successfully initiated the Job Corps program.

After 1 year, GSA assumed protection and maintenance costs for the facility of about $75,000 per year.

In April 1978, the city of Philadelphia requested the property for park and recreation purposes. When the Interior Department rejected that application, the city requested that GSA allow time for a reuse study before selling the property.

The reuse study was requested in August 1978. The city did not hire a consultant for the study until July 1979, and the study was not completed until the summer of 1980—by which time a new city administration had moved in and more time was needed to study the property.

By July 1980 protection and maintenance of the property was costing about $90,000 per year. In addition, leaking roofs have caused extensive damage to the architect's original plasterwork and parquet floors. Repairs to the roofs cost the Government about $35,000.

In August 1980, the city decided it wanted to negotiate a purchase of the property. GSA spent $10,000 on an appraisal and offered the property for $2.29 million, the city countered with an offer of $700,000 and the parties negotiated in an effort to complete a sale.

You can see the tremendous spread in those figures, Senator.

Last summer, negotiations broke down. When GSA took steps toward a sealed bid sale, officials of the State's historic advisory council intervened and delayed GSA's efforts. As a result, GSA's original appraisal expired and another appraisal will be needed before any future sale.

Mr. Chairman, in the 5 years since this historic property was declared surplus, the Government has spent nearly $400,000 in protection and maintenance. The property has nevertheless deteriorated substantially and GSA officials now believe they will have difficulty finding a buyer. One GSA official has noted that proposed historic restrictions on the sale of the property mean that "investors will find bidding on the Naval Home as attractive as bidding on Three Mile Island." He also predicted last fall that another winter "may well be fatal to any hopes of restoring the buildings."

The Philadelphia Naval Home, unfortunately, does not stand alone as an example of delays in the disposal process. It took 5 years for the Government to negotiate a sale of the massive Military Ocean Terminal on south Brooklyn's waterfront.

Mr. Yellen is going to give you those facts.

Mr. YELLEN. We looked at the Military Ocean Terminal and found that GSA started the negotiations by asking $17 million for the property. The city countered by indicating that they had an appraisal showing the property had a negative value. That is a long ways apart to start negotiations. They finally, after 5 years of negotiations, and other delays, settled on a price of $8.5 million for which the city would receive a $4.5 million grant from the Economic Development Administration, meaning that more than half of the final purchase price actually came from the Federal Government to buy another piece of Federal surplus property.

We found that other sales followed the same pattern. In San Francisco, GSA initially sought $2.5 million for a building which city officials valued at $240,000. In Baltimore, the GSA initially sought $5.5 million for a property which city officials valued at $1.3 million. When 2 years of negotiations failed to produce a sale, the property was declared a historic monument and donated to the city at no cost.

In these last three examples—in New York, San Francisco, and Baltimore, the BGA investigation uncovered the second disturbing characteristic of negotiated sales—political interference. Potential purchasers of properties, usually cities, often sought political assistance in their efforts to obtain the property at a low price. They would usually turn to the politicians in Washington for help after they found negotiations had broken down and they could not pay the asking price of GSA.

In the case of the Brooklyn Military Ocean Terminal, for example, we found one document noting that New York City officials anticipated that "with continued White House pressure, GSA will move the asking price to a level that is acceptable to the city."

Senator **PERCY**. That was not, by the way, the present administration, was it?

Mr. **YELLEN**. It was under the last administration.

Senator **PERCY**. The previous administration?

Mr. **YELLEN**. Yes.

In another instance involving a Boston property, GSA officials in Washington noted a reluctance to follow the region's advice because "we would have to reject the intense political pressures of the city of Boston."

Cities did rely upon tactics other than political pressure in their attempts to obtain Federal properties. They use a long list of tactics in trying to get the GSA to drop the price. That is the reason these things go on for years. Probably the most imaginative bargaining example we found occurred in Denver, where Mayor William McNichols had asked the Government to donate a 35-acre tract that was once purchased from the city for a new U.S. mint. Five years after the proposed mint was scuttled, this choice piece of Denver property still sits unused.

When those plans were scuttled, 5 years ago, the city began efforts to obtain the property back from the Federal Government.

The Federal Government, on the other hand, GSA wanted to sell the property. The city did not want to pay for it and they stalled the Federal Government's efforts to sell the property by holding on to a 15-foot-wide strip of land which surrounds the property.

They wouldn't let GSA officials onto the property. They wouldn't let them cross that strip to assess the value of the property and take other required steps for sale.

For taxpayers, the lengthy delays described here and the political interference are both important concerns. While properties sit in the GSA inventory, they often deteriorate substantially and require thousands of dollars in protection and maintenance charges.

The costs of political involvement are less discernible, but still important. GSA is mandated by law to negotiate the sale of these properties at their fair market value. Where political pressures cause GSA officials to sell properties at prices below the fair market value, Federal taxpayers are being shortchanged.

I would like to go to the second area which is considerably less than the first area and that is the competitive bid sale. The chart shows what a small percentage of sales are actually handled in this competitive process.

Again, I think we can look at one example to show some of the problems here. This example involved a property in Hawaii. There were two surplus Nike missile sites that were deactivated in 1970 and were not declared surplus until 1978.

In March 1979, the surplus properties were screened by the various public agencies. They were declared excess. They went to the surplus stage. They were screened by public agencies, who showed no interest in the properties and GSA in line with regular procedures set a sale for September 25, 1979.

Advertisements leading to that sale described the property as "exciting Hawaii properties" and one GSA bureaucrat noted that the sites would bring about $600,000 at the sale. One reason for such optimism—the sites had a panoramic view of the southern part of Oahu and the Pacific Ocean.

They were about 16 miles from downtown Honolulu. But the sale set for September 25, 1979, never occurred, thanks to a last-minute request by the Governor of Hawaii and members of the Hawaiian congressional delegation.

In a rush to appease the politicians to satisfy that request, the GSA Administrator sent a telegram from Washington confirming cancellation of the sale.

This was on the day before the sale was set to occur.

Private parties who had already submitted their bids were notified that their bids would be returned unopened.

Mr. Chairman, the intervention of the politicians in this sale was well intended; the State of Hawaii was seeking another opportunity to obtain the property at no cost prior to a public sale. And following the canceled sale, several State agencies and nonprofit groups did approach GSA about using the property.

We understand from GSA officials that the property, 2½ years after the sale was canceled, has never been developed. GSA is now considering another sale of the property, one which was originally scheduled 2½ years ago and was canceled at political request.

The case of these unsold Hawaii Nike sites illustrates two key problems we found throughout the sealed bid system. First, political intervention, even when well intended, distorts the disposal process.

Second, broad discretionary power allows the abrupt cancellation of a sale at the last minute, without even a written explanation to justify the decision.

At many stages of the sales process, the GSA Administrator and other agency officials have extensive powers to alter the sales process—for example, by rejecting an acceptable bid, or pulling property off the market at the last minute—without documenting their reasons for the departures from standard procedures.

GSA Washington officials can also overrule well-documented recommendations of their regional representatives, again without explanation, sometimes reversing decisions concerning properties they have never seen in areas they may not be familiar with. They can overrule the regional experts often without explanation.

An example of the problems that can arise in that type of situation is going to be presented by Mr. Brunner.

Mr. BRUNNER. Senator, that is a property called Ashford Farms, which is a very interesting piece of property on the Eastern Shore of Maryland. It is a CIA safehouse. People like Gary Powers were debriefed there, various Soviet defectors. It is a beautiful building, eight bedrooms, eight baths, 79 acres on the Eastern Shore—a beautiful old house and it had been declared surplus by the CIA back in 1976.

We have a chart to show you what happened. Unfortunately, it is another one of these same sorts of dropping the ball, fumbleitis examples that we have seen before.

After 3 years of looking at other potential uses GSA, in 1979, put this choice piece of real estate on the market. The public bidding process brought a high bid of $407,900, a figure which was later upped to $437,500 by the same bidder. Both figures were close enough to GSA's appraised value of the property that they could be accepted.

Despite the recommendations of regional officials who felt the bid should be accepted, the bid was turned down—without explanation—by Roy Markon, current Commissioner of the Federal Property Resources Service.

Markon has since indicated that he believed the CIA hideaway could bring a higher price, although he had never visited the property. He said, "You win some, you lose some." Just last week GSA was facing the same decision which Markon faced 3 years ago—whether to accept a bid for Ashford Farms. But the dollar figures have changed dramatically. In this, the fifth attempt to sell the property, the highest bid is $236,000—barely half the figure which the property would have brought in a sale 3 years ago. There was a bad storm on the Eastern Shore, 20 acres have been washed away of the original 79, waves are now lapping almost at the building and they can't find anybody to really buy it.

For the taxpayers, then, the *Ashford Farms* case poses as a double loss; the property is now worth one-half its original value, and $200,000 has been lost in an effort to make the property presentable for sale.

Our conclusion, based upon the *Ashford Farms* case, the Hawaii examples, and several similar instances, is that the public sales processts allows too many discretionary factors to come into play. Stricter standards should be devised to govern the sealed bid sales, and departures from those standards should be noted in writing for later review.

The third major area of surplus property disposals is the donation of properties for public benefit use, a policy which has recently been rescinded by the administration. I would like to briefly outline our findings in this area, which coincide to some extent with the reasons given for ending such donations.

First, we found that a good number of recipients of donated properties have not used those properties for the intended purposes. In most cases, recipients promise to use the donated lands for a particular use for 30 years; we found instances where, 5 to 10 years after donation, properties remained totally undeveloped.

Senator Percy and members of the committee, the problems we have described here today will not be easily resolved. Lengthy delays, political pressures and bureaucratic infighting are to some extent inevitable in a surplus property program involving every level of government, numerous bureaucracies, and strong local interests in the final disposal.

We do believe, however, that the Federal disposal mechanism can be streamlined to the point where decisions concerning real property are made in a timely but cautious atmosphere.

Participants in the process can be made aware of certain incentives for a prompt resolution of disposal problems.

Measures can be taken to insure that the entire system operates in a more economical fashion, both in the identification and the disposal of surplus properties.

Our own review of the Federal property management program suggests that a few significant changes could produce major benefits in the handling of real properties. We hope you will consider these recommendations as you look at alternative methods of improving the Government's surplus property disposal programs.

We believe a revised property disposal system should place much greater emphasis on the use of competitive sales. This goal can be accomplished by reversing the current disposal process, which tends to favor donations and negotiated sales before turning to competitive bidding as a means of disposing of properties. By placing the public sale option ahead of other options in the disposal process, the Federal Government should be able to avoid many of the delays found in the current system, in addition to obtaining a good indicator of the market value of the surplus property very early in the game.

Senator PERCY. Thank you very much indeed. I am going to ask if my colleagues, while I go over and vote, rather than delay the hearing, will ask their questions now.

We will start with you, Congressman, and then if you turn to Congressman Kramer after that. I should be back in just a couple of minutes. Thank you very much.

Representative WINN. Thank you very much, Senator.

Did you hear David Stockman's testimony?

Mr. BRUNNER. Yes, sir.

Representative WINN. If you were to analyze his procedures and suggestions, based on the information that you have been able to secure, would you have any additional suggestions that the committee should pass on to him?

Mr. BRUNNER. We think many of his suggestions are excellent, Congressman.

I think that our fundamental view is that the way to speed up the process is to go through something that establishes the fair market value of the property early in the game. Our suggestion and our recommendation is you do that by competitively bidding it. However, we would also think that you could reach that same problem by the solution Mr. Stockman has mentioned, and that is a real estate review board which would in effect move the process on, set the market value early in the game.

What is happening in these sales that we have looked at time after time is that the local governmental unit has very few funds.

As we know, many of our municipalities, major cities across the country, are financially strapped and therefore their negotiators are trying to get this property at the absolute rock bottom number. The GSA people are supposed to represent the interest of the Federal Treasury and they are bound by the laws to seek the fair market value of that property. So you end up with disparities between $2.29 million as in the Philadelphia case and the city's bid, which is way, way lower than that.

If there were to be some intervention early in the game, we would suggest that you first competitively bid it and then allow the cities to match that bid or through some sort of discount system have a right of first refusal. If you allow them to do that, you would move that process along much more quickly or the same thing could be done by Mr. Stockman's suggestion of a Federal policy real estate review board which could step in and say, OK, fellows, here is the fair market value on this one. Do you want to pay that or not? Let's get on with it. But to assume that in good faith officials at GSA and in local municipalities can somehow, through negotiations arrive at a fair market value when there are so many conflicts in that with regard to whom they represent, is a problem. Because if you go back to the definition of a fair market value, it is what a willing buyer would pay a willing seller at a particular point in time in an arm's length transaction. The problem is these transactions are inherently not at arm's length between the GSA officials and a city like Boston.

The Boston Congressman, of course, is going to not only represent the Federal Government's interests, but the interests of his constituents at the same time. So I think we have to get over that hurdle which causes these lengthy delays and I believe that Mr. Stockman's suggestion would be an excellent way to do it.

We think that our way would be fine, too. But we have no great pride of authorship in that and believe that any system which establishes a fair market value early in the game, then moves to the question of do you want it or don't you, rather than negotiate this over a period of 4 to 5 and 6 to 7 years is a good idea.

Representative WINN. This system that GSA has developed seems to be in most cases, and I am subject to correction by GSA officials if they should choose, seems to be a foot-dragging procedure.

I really question whether they really want to make any effort to sell our surplus properties or not.

Mr. BRUNNER. I think our impression, and Mr. Yellen has spoken to many GSA officials throughout this and maybe we can get his thoughts on it.

Representative WINN. I suppose they vary around the country.

Mr. BRUNNER. That is true. We have spoken to many people at the regional level. But they are hamstrung by all of the regulations which flow from the legislation and makes their job very difficult. As I mentioned, they are in the position of, in Brooklyn, or in Boston, or in the Philadelphia example of trying to get $2.3 million for a piece of property that this city only wants to spend $300,000 or $400,000 for.

It places them in a very difficult position because they have to follow those regulations. As long as the system is set up the way it is, the GSA people are going to be at a disadvantage.

Representative WINN. There is a weakness in the system.

Mr. YELLEN. I think the GSA officials to have an interest in finding surplus property and disposing of it as rapidly as possible, but the problems they run into, and I think the Philadelphia case points that out, in Philadelphia over a 5-year period, they had to deal with the Department of Labor that was interested in using property for a Job Corps site, they had to deal with the city of Philadelphia who was interested in, first of all, using the property as a park, then using the property, just negotiating purchase of the property.

They had to deal with the State's historic advisory commissions which were interested in preserving the property.

They had to deal with DHEW, who was interested at one point in seeing the property go to a local health group. You can see GSA is just one actor in a process that often involves seven Federal agencies. It is that whole system itself which causes the 5-year delay, not just the GSA involvement.

Representative WINN. It looks to me like we have to set new priorities. We have to change the system by saying the priority is getting the top dollar for the sale of that surplus property if we are going to do what we all intend to do, which is to apply this against the national debt.

Mr. BRUNNER. I think that is true.

The other problem is in the long run, if you take something like the Ashford farms sale, the property deteriorates if you don't speed up the sale. I think you have to strive to change the system to one in which you do establish that fair market value very quickly through whatever means that is and then say to the State or local agency, do you want to purchase this piece of property? If they do, let's say in the wisdom of the Congress you want to give them a discount of the property to be used as a library, park, that automatically kicks in. But if they want the property for something, urban renewal area, like the Chicago North Loop, where you are going to take that piece of property, later sell it to the developer, but retain a certain amount of control, there doesn't seem to be any public policy reason why the city cannot simply pay that established market value for it, later to be brokered to a developer to build up the property along the lines that the city would want to have it.

So I think what is obvious from our look is we have got to streamline it, get it going and look for the interest in the Federal Treasury, put these deals together as quickly as possible because I think there is something inherent in bureaucratic mentality that allows these things to go on and on because they figure they have got to dot every "i", cross every "t".

It takes forever to do these things.

Representative WINN. Would you make the recommendation to this committee and to the rest of us that are involved that we should make special arrangements for the States or for local or county governments, or should we try to get the highest dollar possible?

Mr. BRUNNER. I think that obviously the system that has been set up, in which States and local municipalities——

Representative WINN. I understand that. Would you change that?

Mr. BRUNNER. What I am saying is it was based on sound public policy reasoned back then and I don't think we are willing to simply dismiss those considerations. Certainly if the people of Philadelphia want to use a Naval home as a library, that public purpose should receive some sort of consideration vis-a-vis top market dollar to turn it into an office building. But I think the value of those considerations can be established by the Congress very simply and straightforwardedly and give those States the right of a first refusal in those particular instances. Our suggestion is very similar to Senator Percy's suggestion in the legislation which is to simply give them the right of first refusal.

We are moving up the idea of establishing that fair market value more quickly because we think that is the factor that is historically slowing down the process.

Representative WINN. Mr. Kramer?

Representative KRAMER. Thank you.

Would you get into the capability of the GSA to really make these sales in terms of their mechanical ability, capabilities?

Can they reach potential purchasers with their present marketing techniques? Have you examined those at all to see whether or not that is part of the problem? If it were, would you have any recommendations with respect to private sector participation and perhaps totally removing a lot of this process from using GSA as the marketing agency or activity and putting it into the private sector once the decision had been made to make the property disposition?

Mr. **Yellen**. We did not look extensively at the way GSA does market its properties in terms of advertising, letting people know that they are for sale. But some of our findings I think, for example, on the Ashford farms case, suggests that there were a number of bidders that in some cases, 30 to 40 bidders for those properties, after a sale was, after there was a decision not to sell, sometimes it would be a year or more before it was put up for sale again. We are not sure that a private real estate agent would ever allow a period like that to pass before offering a sale. So that may be one problem in terms of GSA getting the properties out.

I think we also found that in many cases the GSA was about to market the property and let people know it would be put up for sale when they were notified from a State or public agency that the State was interested in receiving it as a donation. That in itself, GSA may be hesitant to put properties out on the market the way a private real estate agent would because of the fact they know they have to look at the States interest and the public interest under the current system before they can actually put it out for sale.

That may also slow down the marketing process. I think in terms of using more private real estate borkers, if a large selling of properties is going to be considered, that should certainly be one of the alternatives. However, we would encourage the committee to use its oversight to make sure that there is no favoritism, for example, in seeing where the commission is going, in seeing where the properties, who the properties are handled by.

In some areas, in the appraisal area which is one area we did look at, we found in some cities the same appraisers kept getting a lot of Government work. You might want to watch that when you start using real estate brokers, also.

Senator **Percy**. I have just a couple of questions. It does appear the the Government's give-away program has encouraged, I long suspected, local groups to request property that they really don't intend to put to any good use.

They never put their own money out for that purpose, but if it is a gift, so why turn down a gift? Is it your feeling that the administration's new policy now that requires that payment be made at a fair market value of the properties will by itself directly essentially solve the problem?

Mr. **Brunner**. Senator, we have a lengthy portion with regard to the donated properties in the testimony which we did not highlight because of the fact the administration's policy, we really think that is a good idea.

I think it is very true. I think you used the word earlier in the hearings that the local municipalities will often cook up a use of the property. We will think of something here so we can get this property for the city of Chicago, Denver or wherever. I think it is time that that process was put more in arms' length distance and that this initiative by the administration should go a long way toward doing that.

Senator **Percy**. Ms. Wollack, we are not going to let you get away without testifying. In the testimony—and we appreciate your fine work—in the testimony that has been presented by BGA, it has been pointed out that the present GSA disposal system is extremely slow, terribly cumbersome. These delays have cost tens of millions, hundreds of millions of dollars, I suppose, even for the relatively small amount of property that has been sold and put up for sale.

Would you feel that some time limitation, some deadline should be put on which would only be removed under extraordinary circumstances and if so, what sort of a time frame would you feel is a reasonable period of time?

Ms. **Wollack**. I don't know if we have—I have no specific time recommendation. There should however be stricter standards on how long GSA has to market a piece of property. In the June 1981 inventory that GSA took of properties that were available, we found that a large number of properties had been sitting for 5, 6, 7, 8 years due to the long negotiations that go on. There has to be some way to tighten this procedure up.

Senator **Percy**. Mr. Brunner, in your testimony you have indicated that most all of the GSA properties sales are done on the basis of negotiated sales; the process in which GSA determines the fair market value of the property, then negotiates with industry bidders for a selling price.

Do you feel that more open bidding can be resorted to and will result in a fairer price for these properties to be received by the Federal Government?

Mr. **Brunner**. I do, Senator. As you know from your experience in business, when I started out in the law, I was an assistant U.S. attorney in Chicago and my specialty was the trial of Federal condemnation cases with which we attempted to establish fair market value in the reverse, of course, to make a determination of what we would pay someone for the purchase by the Federal Government of property.

As I was explaining earlier to Congressman Winn, we believe that you cannot have a true determination of market value in the negotiations setting between a GSA officials and the officials of the local governmental agency because they are not truly at arm's length.

There are all sort of conflicts going on. The Congressman from Boston represents not only the U.S. Government and the Federal executive branch in a certain sense, but the people of Boston. It is inherent in the process that he would feel it is his job to intervene. You can't take the politics out of that process. That is the normal thing that Congressman ought to do. So to suggest that somehow we can take those factors out and arrive at some event in which we determine fair market value in those sorts of negotiations I think is completely unrealistic. So our suggestion is, as you mentioned, to competitively bid these things up front, quickly determine fair market value, give the State an opportunity to buy at that price or if you want to discount it for various good uses. If they don't want it, let's get on with it and sell it right away to someone else.

We think either that competitive bidding at the beginning or the suggestion for the administration of a real estate review board which could also set that fair market value would speed up this process. That seems to be the factor that hangs up all of these sales; the fact that people are negotiating millions of dollars apart, obviously they have completely different views of the value of the property and those views are based upon not an attempt to make that determination of what fair market value would be, but what the city would like to get it for, which is the lowest possible price, given their financial conditions.

Senator PERCY. I want to thank you on behalf of myself, this full committee and my distinguished colleagues from the House. I suppose in all of your years in dealing with Government you probably never have seen as close working relationship. I don't think I have ever had other than in joint committees of the House and Senate full participation in 15 years I have been here by two Members of the House in a Senate hearing.

But that is the closeness with which we want to work together, the very highest esteem and value that I place on our relationship with two colleagues that have really poured personal time, energy and effort and staff time into an idea and concept whose time has really come. I would like them to know that this relationship that I had with BGA, BGA didn't used to be an investigative unit at all. It was a group of people who got together to review candidates and make recommendations for the candidates.

The investigative end watchdog of it was a small offshoot at one time. Resources were so small, I hired the first investigator for them as the chairman of this watchdog unit, a former FBI agent in charge of the Milwaukee office. Our resources were so small that in desperation we thought up this idea of trying to get some of the media interested in investigating work. There were really no investigative reporters in those days, to get them to put some of their resources because it might lead to a public interest story. That is how we began that process which BGA still continues now and in such an expanded way.

I would like to commend the quality of your staff now, close relationships you do have, working with the media in a very responsible way and commend again those people who contribute to BGA and its expanded effort now. I just don't know any organization with one possible exception and they are coming up right after you that has a higher return on investment. So we thank you very much indeed for your presence.

Mr. BRUNNER. Thank you, Senator. We really appreciate the invitation to testify. I think everybody on our staff appreciate the cooperation of your staff as well, the folks who worked on this investigation, Mr. Hertz, Mr. Strauss. It is a lot of sloshing through a lot of very tough documents to put these things together, I think you understand the kind of work that went into this with the UPI and I think the response across the country to the story has really been devastating.

Senator **Percy**. It is going to be extraordinarily helpful. Thank you very much. It will result in billions of dollars. You have got to think big now.

[Mr. Brunner's prepared statement follows:]

PREPARED STATEMENT OF J. TERRENCE BRUNNER

Mr. Chairman, my name is J. Terrence Brunner and I am the executive director of the Better Government Association. With me at the table today are BGA investigators Leslie Wollack and Larry Yellen. The BGA is a nonpartisan, nonprofit national civic watchdog organization with offices in Chicago and Washington. Our goal is better government, and we advance that goal by looking carefully at government programs to determine how they are working and whether they might be improved. In cooperation with the news media, we have examined government performance in a variety of areas of concern to American taxpayers, ranging from fraud in medicare programs to abuses in the Agriculture Department's lending programs. Just last fall, we concluded a major study of the caucus system in the House of Representatives.

Our testimony today centers upon another timely issue, the disposal of surplus federal properties. Last fall, Senator Percy introduced a resolution calling for the government, first, to estimate the market value of its properties; second, to determine which properties are unneeded; and third, to sell as many of those properties as possible. Two months before you introduced your resolution, Senator, the BGA and United Press International Washington Correspondent Gregory Gordon had initiated a study of the government's surplus real property disposal system.

Let me emphasize that we were not asking, as a matter of policy, whether the government should undertake a massive effort to sell or otherwise dispose of surplus federal properties. Instead, our investigation sought to examine the government's handling of surplus properties in recent years; we were looking at the government's performance as its own real estate agent.

Our investigation has revealed that there are large areas of unused properties not yet on the surplus rolls, especially among Defense Department holdings. But we have also discovered that land is an important government resource, and that property disposals are inherently more permanent than decisions of policy. Such decisions therefore require more caution.

It is this very characteristic--the long-lasting impact of our land disposals--which requires that the government have a workable system of identifying and disposing of surplus land. In this respect, our goals today do not differ substantially from those stated 33 years ago, when a report accompanying the 1949 Federal Property and Administrative Services Act noted, "The need for an improved and efficient property management program . . . is becoming ever more apparent."

In the three decades since the enactment of the 1949 legislation, the rules governing the management of real estate have changed considerably. Real estate values have soared, interest rates have become markedly more volatile and government bodies at all levels have faced increasing financial difficulties. The BGA examined the government's real estate disposals in the context of these new realities, and we found serious problems throughout the surplus property disposal system.

Before discussing our specific findings, I would like to briefly provide an overview of the problems we uncovered in our five-month study. Generally, we found the disposal system to be a complex web of conflicting interests, with federal agencies showing little trust in one another, and local governments showing similar reluctance to cooperate toward efficient disposal of surplus properties. The system contains few if any incentives for a rapid identification and disposal of surplus lands.

In the area of negotiated sales, we found a system plagued by bitter negotiations lasting four or five years, while properties suffered millions of dollars in damages and remained off local tax rolls.

In the area of sales by competitive bid, we found a system with broad grants of discretion which is highly susceptible to political meddling.

In the area of donated surplus properties, we found that recipients sometimes misuse properties or fail to use the properties at all, despite grandiose promises of development.

Furthermore, deadlines governing disposals are routinely ignored. A June, 1981 inventory of General Services Administration holdings included 61 properties which were declared surplus or excess more than seven years ago.

These problems are found in a system which disposes of approximately two-thirds of its surplus properties by donation rather than sale. Any rapid increase in property sales would without question stretch this system beyond its limits.

Our investigation examined each of the three disposal mechanisms mentioned above; the negotiated sale, the sale by competitive bid, and the donation. Within the last month, the Administration has restricted donations of surplus properties, because of compliance problems and the revenues lost through such donations. I would like, therefore, to focus on the other two types of disposal, beginning with the negotiated sale.

For states and cities, the negotiated sales option provides an opportunity to purchase a surplus federal property before it is made available for competitive bidding by the general public. In 1981, measured by dollar value, a remarkable 82 percent of all surplus sales were handled by negotiated sale, rather than by competitive bid; in 1980, the figure was 87 percent. (See chart.) These figures suggest that the most valuable properties are frequently sold to cities or states by negotiated sale, a process in which we found two serious flaws.

First, the negotiated sale of a major piece of property often required four to six years for completion. Second, the sensitive negotiations were often riddled with political overtones.

The extended delays in negotiations are often caused by little more than stubborn negotiators--city, state and federal officials who bicker for years over a number of matters, especially price.

On one side of the table is the GSA, bound by law to sell the property at its estimated fair market value. On the other side is the financially strapped local government, desperately seeking to pry the property from the federal government at a bargain price.

We would like to turn your attention to an example which we believe is a classic lesson in how not to handle the negotiated sale of a surplus property--the historic Philadelphia Naval Home.

The Philadelphia Naval Home was designed in 1826 by noted Philadelphia architect William Strickland, and is considered one of the top examples of Greek Revival Architecture in the United States. The home opened in 1833 as a Naval asylum, the first federal institution for care of sick, disabled, and indigent sailors. Since then, the facility has served as a Governor's residence and residence for the Surgeon General.

In August, 1976, the property was declared surplus by the Navy and thus began a five-year tale of postponements, missed deadlines, extensive deterioration and bureaucratic infighting which might generously be referred to as an embarrassing debacle for the U.S. government and the city of Philadelphia.

The chart to my (right) traces events which have occurred since the home was declared surplus. The property first sat unused for about one year while GSA waited for a promised Job Corps program to materialize and occupy the site. The Labor Department finally withdrew its interest in the property, unable to successfully initiate the Job Corps program.

After one year, GSA assumed protection and maintenance costs for the facility of about $75,000 per year.

In April, 1978, the city of Philadelphia requested the property for park and recreation purposes. When the Interior Department rejected that application, the city requested that GSA allow time for a re-use study before selling the property.

The re-use study was requested in August, 1978. The city did not hire a consultant for the study until July, 1979, and the study was not completed until the summer of 1980--by which time a new city administration had moved in and more time was needed to study the property.

By July, 1980, protection and maintenance of the property was costing about $90,000 per year. In addition, leaking roofs had caused extensive damage to the architect's original plasterwork and parquet floors. Repairs to the roofs cost the government about $35,000.

In August, 1980, the city decided it wanted to negotiate a purchase of the property. GSA spent $10,000 on an appraisal, and offered the property for $2.29 million. The city countered with an offer of $700,000 and the parties negotiated in an effort to complete a sale.

Last summer, negotiations broke down. When GSA took steps toward a sealed bid sale, officials of the state's historic advisory council intervened and delayed GSA's efforts. As a result, GSA's original appraisal expired and another appraisal will be needed before any future sale.

Mr. Chairman, in the five years since this historic property was declared surplus, the government has spent nearly $400,000 in protection and maintenance. The property has nevertheless deteriorated substantially and GSA officials now believe they will have difficulty finding a buyer. One GSA official has noted that proposed historic restrictions on the sale of the property mean that "investors will find bidding on the Naval Home as attractive as bidding on Three Mile Island." He also predicted last fall that another winter "may well be fatal to any hopes of restoring the buildings."

The Philadelphia Naval Home, unfortunately, does not stand alone as an example of delays in the disposal process. It took five years for the government to negotiate a sale of the massive Military Ocean Terminal on South Brooklyn's Waterfront. GSA started by asking for $17 million, while New York City countered that the buildings had a negative value. During the delays, the buildings, by one account, suffered an estimated $1 million in damage from vandals.

The final sale for $8.5 million to New York City was only made possible by a federal Economic Development Administration grant of $4.5 million to the city--in other words, the federal government paid more than half of the purchase price for a piece of federal surplus property!

Negotiated sales in other cities follow the same pattern. In San Francisco, GSA initally sought $2.5 million for a building which city officials valued at $240,000. In Baltimore, the GSA initially sought $5.5 million for a property which city officials valued at $1.3 million. When two years of negotiations failed to produce a sale, the property was declared a historic monument and donated to the city at no cost.

In these last three examples--in New York, San Francisco and Baltimore, the BGA investigation uncovered the second disturbing characteristic of negotiated sales--political interference. Potential purchasers of properties, usually cities, often sought political assistance in their efforts to obtain the property at a low price.

In the case of the Brooklyn Military Ocean Terminal, for example, we found one document noting that New York City officials anticipated that "with continued White House pressure, GSA will move the asking price to a level that is acceptable to the city."

In another instance involving a Boston property, GSA officials in Washington noted a reluctance to follow the region's advice because "we would have to reject the intense political pressures of the city of Boston."

Cities did rely upon tactics other than political pressure in their attempts to obtain federal properties. Probably the most imaginative bargaining occurred in Denver, where Mayor William McNichols had asked the government to donate a 35-acre tract that was once purchased from the city for a new U.S. mint. When the federal government balked, the city stalled sales efforts by refusing to give up a narrow strip of land surrounding the property. Five years after the proposed mint was scuttled, this choice piece of Denver property still sits unused.

For taxpayers, the lengthy delays described here and the political interference are both important concerns. While properties sit in the GSA inventory, they often deteriorate substantially and require thousands of dollars in protection and maintenance charges. The costs of political involvement are less discernible, but still important. GSA is mandated by law to negotiate the sale of these properties at their fair market value. Where political pressures cause GSA officials to sell properties at prices below the fair market value, federal taxpayers are being shortchanged.

I would like to turn now to the second, but lesser area of sales--the competitive bid sale. Here we found that GSA decision-makers were permitted a great deal of discretion in the handling of the sales process, a discretion that was sometimes abused. Again, we can best illustrate our point by looking at an example of a sealed bid sale.

The properties involved in this example were two surplus Nike missile sites in Hawaii, 16 miles northwest of downtown Honolulu.

These sites were deactivated in 1970, used by the Hawaiian Army National Guard until 1974 and then were unused until they were declared surplus in late 1978.

In March, 1979, the surplus properties were screened by various public agencies, all of which eventually decided they had no use for the land.

In line with regular procedures, GSA officials scheduled a public sale for September 25, 1979. Advertisements touted the properties as "exciting Hawaii properties" and one GSA bureaucrat noted that the sites would bring about $600,000 at the sale. One reason for such optimism--the sites had a panoramic view of the southern part of Oahu and the Pacific Ocean.

But the scheduled sale never occurred, thanks to a last-minute request by the governor of Hawaii and members of the Hawaiian congressional delegation. In a rush to appease the politicians, the GSA administrator sent a telegram from Washington confirming cancellation of the sale.

Private parties who had already submitted their bids were notified that their bids would be returned, unopened.

Mr. Chairman, the intervention of the politicians in this sale was well-intended; the state of Hawaii was seeking another opportunity to obtain the property at no cost prior to a public sale. And following the cancelled sale, several state agencies and nonprofit groups did approach GSA about using the property.

But today, almost 2½ years after that public sale was set to take place, almost all of the 50-plus acres are yet to be put to any productive use.

GSA officials are now looking at various options concerning the property, including another attempt at a public sale.

The case of the unsold Hawaii Nike missile sites illustrates two key problems we found throughout the sealed bid system. First, political intervention, even when well-intended, distorts the disposal process.

Second, broad discretionary power allows the abrupt cancellation of a sale at the last minute, without even a written explanation to justify the decision.

At many stages of the sales process, the GSA administrator and other agency officials have extensive powers to alter the sales process--for example, by rejecting an acceptable bid, or pulling property off the market at the last minute--without documenting their reasons for the departures from standard procedures. GSA Washington officials can also overrule well-documented recommendations of their regional representatives, again without explanation, sometimes reversing decisions concerning properties they have never seen in areas they may not be familiar with.

Another example of the risk inherent in such a system is the story of Ashford Farms, a former CIA safehouse on the Eastern Shores of the Chesapeake Bay, which the CIA declared surplus in 1976.

After three years of looking at other potential uses GSA, in 1979, put this choice piece of real estate on the market. The public bidding process brought a high bid of $407,900, a figure which was later upped to $437,500 by the same bidder. Both figures were close enough to GSA's appraised value of the property that they could be accepted.

Despite the recommendations of regional officials who felt the bid should be accepted, the bid was turned down--without explanation--by Roy Markon, current commissioner of the Federal Property Resources Service. Markon has since indicated that he believed the CIA hideaway could bring a higher price although he had never visited the property.

Just last week, GSA was facing the same decision which Markon faced three years ago--whether to accept a bid for Ashford Farms.

But the dollar figures have changed dramatically. In this, the fifth attempt to sell the property, the highest bid is $236,000--barely half the figure which the property would have brought in a sale three years ago. Erosion of the waterfront property and hurricane damage have taken their toll; the government has spent over $200,000 in maintaining the property and advertising it for sale.

For the taxpayers, then, the Ashford Farm case poses as a double loss; the property is now worth half its original value, and $200,000 has been lost in an effort to make the property presentable for sale.

Our conclusion, based upon the Ashford Farms case, the Hawaii examples, and several similar instances, is that the public sales process allows too many discretionary factors to come into play. Stricter standards should be devised to govern the sealed bid sales, and departures from those standards should be noted in writing for later review.

The third major area of surplus property disposals is the donation of properties for public benefit use, a policy which has recently been rescinded by the Administration. I would like to briefly outline our findings in this area, which coincide to some extent with the reasons given for ending such donations.

First, we found that a good number of recipients of donated properties have not used those properties for the intended purposes. In most cases, recipients promise to use the donated lands for a particular use for thirty years; we found instances where, five to ten years after donation, properties remained totally undeveloped.

In New York, for example, two acres of oceanfront property valued at almost $500,000 were donated to a non-profit group for construction of a new school within 18 months. The school has never been built, and federal officials are just now taking steps to reclaim the property.

Near Davis, California, a college run by American Indians on 643 acres of surplus army land has served fewer than 200 students annually since 1971, while the school has leased some of the prime farmland to area farmers. The college has never been in compliance with rules established when the land was first donated a decade ago.

Second, we found pervasive political influence in the donation process. While considering the legality of the donation of the Federal Archives Building to the city of New York, former GSA Administrator Rowland Freeman found it necessary to ask the White House to shield him from mounting political pressures to approve the donation. In another example, President Lyndon Johnson, in his last months in office, orchestrated the donation of a surplus fish hatchery in Austin, Texas for use as a nursing home named after his mother, Rebekah Baines Johnson.

Finally, we found the delays in the area of donations to be nearly as troublesome as those in the area of negotiated sales. For example, the Federal Archives Building donation was a six year saga, including a three year delay in receiving an application from the city and a two-year feud between GSA and the Interior Department concerning the legality of the donation. Before the transfer was completed, three Interior Secretaries and three GSA Administrators had confronted the case.

Senator Percy and members of the committee, the problems we have described here today will not be easily resolved. Lengthy delays, political pressures and bureaucratic infighting are to some extent inevitable in a surplus property program involving every level of government, numerous bureaucracies, and strong local interests in the final disposal.

We do believe, however, that the federal disposal mechanism can be streamlined to the point where decisions concerning real property are made in a timely but cautious atmosphere. Participants in the process can be made aware of certain incentives for a prompt resolution of disposal problems. Measures can be taken to ensure that the entire system operates in a more economical fashion, both in the identification and the disposal of surplus properties.

Our own review of the federal property management programs suggests that a few significant changes could produce major benefits in the handling of real properties. We hope you will consider these recommendations as you look at alternative methods of improving the government's surplus property disposal programs.

RECOMMENDATIONS

We believe a revised property disposal system should place much greater emphasis on the use of competitive sales. This goal can be accomplished by reversing the current disposal process, which tends to favor donations and negotiated sales before turning to competitive bidding as a means of disposing of properties. By placing the public sale option ahead of other options in the disposal process, the federal government should be able to avoid many of the delays found in the current system, in addition to obtaining a good indicator of the market value of the surplus property. Specifically, we would recommend the following:

1. Surplus properties should be offered for public sale, but states, cities and local governments should be allowed to match the highest bid submitted in the competitive bidding process to obtain the surplus property. States and local governments could also seek a reduction in the price of the property by demonstrating that the property would be used for certain, pre-determined public benefit uses. This reduction should not exceed more than 20 or 30 percent of the highest bid submitted in the bidding. Where no other governmental body expresses an interest in the property, the highest bidder should receive the land, unless GSA officials believe the top bid is far below the estimated value of the property.

2. Where the competitive bid process does not result in a sale, the land may be sold by negotiated sale to other governmental entities or donated for public benefit use, under rules similar to those governing current donations.

3. To the extent possible, steps should be taken to further insulate the surplus property system from political pressures. For example, public

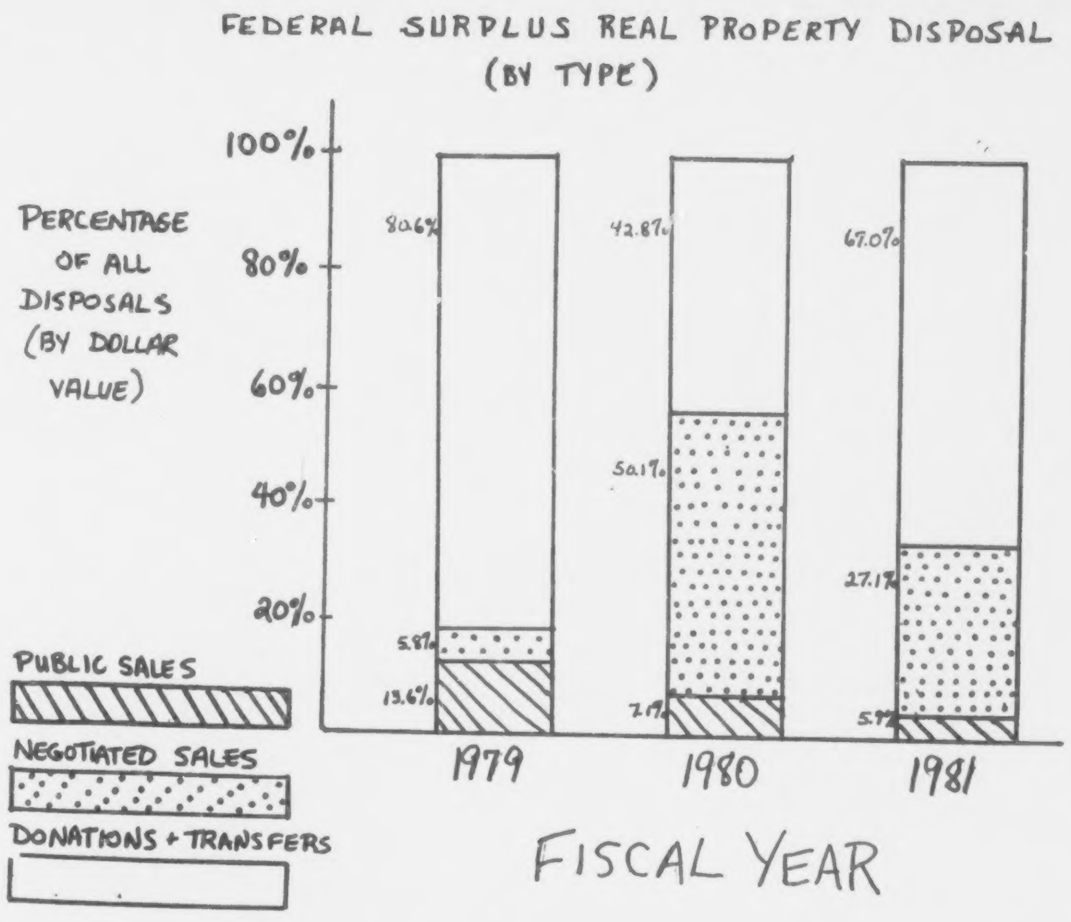
sales could be handled under a stricter schedule which would not allow last-minute changes in the process. Realty specialists should not be permitted to answer political queries and should be instructed to record all political contacts in the property files. Queries into the status of properties should be handled by an Office of Congressional Affairs or similar entity.

4. Deviations from set schedules should be noted in the files, with an explanation justifying the reason for the deviation. Review systems could be instituted to guarantee that bidding procedures, and the acceptance and rejection of bids, are handled in a standard fashion. The review mechanisms could apply to properties over a certain value, say $500,000.

5. Participants in the disposal process should be made aware that deadlines will be enforced, and deadlines should be aimed at disposing of property within a one-to-two year period.

6. GSA officials should closely track protection and maintenance costs on major properties in an effort to determine whether increasing costs call for a prompt sale of deteriorating properties.

The BGA believes that implementation of these and other changes could contribute to a property management program with fewer delays, continued consideration of the needs of state and local governments, and a reduction in political pressures and other external factors which currently distort the federal surplus property program.



FEDERAL SURPLUS REAL PROPERTY DISPOSAL (BY TYPE)

Senator PERCY. Our final witness is the chairman of the National Taxpayer's Union, Mr. James Davidson. We welcome you, congratulate you on forming the National Taxpayer's Union and here is an idea, if the time ever arrived, here it is. This is the time when taxpayers are really demanding that we do something about Government and the cost of Government.

The first inclination that I had in pulling together this first hearing was to postpone all public interest groups to the March 18 hearing. But given the objective to really do something for the taxpayers of this country that I and my colleagues share, I just thought we would make an exception in your particular case.

You don't represent the taxpayers, pure and simple. We want to make sure that your voice is heard right from the beginning in this. Your support on this issue is a sure sign to mean great assurance from early on that we are in the right direction. It is meeting the acid test. This is going to be really meaningful to every single individual and family paying taxes in the United States. It is going to shake up an awful lot of things.

As we see, we are just changing routines that have been in existence for scores of years. We are very anxious to hear your testimony now. Thank you for being with us.

TESTIMONY OF JAMES D. DAVIDSON, CHAIRMAN, NATIONAL TAXPAYER'S UNION, WASHINGTON, D.C.

Mr. DAVIDSON. Thank you, Mr. Chairman.

Before I begin my prepared testimony, I wanted to bring to your attention a proposal that was made by a good and thoughtful lady in the State of Illinois and Mrs. Fiedler who suggested that it was time for the concerned housewives of America to get together on a cake sale to try to reduce the national deficit because this deficit is so atrocious and is such a great concern to people in their households.

I made a quick calculation in order for her plan to be a success, every man and woman and child in the United States would have to eat a quarter of a ton of cake in this year. I think as imaginative that she has been, the proposal that you have made would be slightly less difficult to digest, if I may say so. [Laughter.]

I believe what you have suggested is very timely and very necessary. We certainly have been going on far too long in this country without assessing the value of the assets the Federal Government has and the role they could play in reducing this terrible debt and with it the high interest rates which are strangling our economy.

If your proposal is acted upon, Mr. Chairman, it could be a significant step toward restoring health to America's wobbly economy. It makes little sense for a Government with a $1 trillion debt, and the prospect of massive budget deficits far into the future, to idly ignore resources whose proper use now could forestall an even greater financial crisis than the one we already face.

According to the General Accounting Office report concerning large scale disposal of Federal assets, the market value of Federal real property is unknown. What is known is that the Federal Government owns over 32 percent of all land in the United States and over 405,000 buildings and facilities.

Most estimates place the acquisition value of these assets at over $1 trillion.

It is obvious, Mr. Chairman, that much of this great Federal real property empire is superfluous to the functioning of Government. This point has been well recognized and is established in our law. Procedures now exist for disposing of surplus properties. What these procedures have in common is their virtual disregard of the interest of taxpayers. Time after time, valuable properties have been virtually given away. In many cases, surplus Government properties have been put to absurd or uneconomical use.

Several years ago, Charles McDonald, an appointed official from the State of Alabama, came to the National Taxpayer's Union to complain of a peculiar disposal of valuable transportation facilities at Brookley Field in Mobile. Although the property was ostensibly given to local government, with no revenues resulting to the Treasury, it was actually passed on to private interests. These interests were then free to employ these valuable resources in ways they never would have considered if they had been obliged to acquire them at the fair market price.

This great airstrip, so large and accommodating that an Air Force official told me that many private and commercial planes could land on its width, was not employed as an airport. According to Mr. McDonald, powerful private interests divided up these valuable Federal assets by employing their influence over the political procedures through which the disposal was made.

In the end, they gained windfalls at almost no cost to themselves, and the taxpayers lost. Meanwhile, it is alleged, one of the officials who made the surplus properties disposition, went to work for the concrete company which expanded the runways at Mobile's inadequate civilian airport.

Mr. Chairman, the example of Brookley Field is only one of many demonstrating the mismanagement and absurdly uneconomical disposition of Federal property up to the current day. This Nation can no longer afford to waste precious assets like the idle heir of a rich family.

Today, our economy is suffering from a liquidity crisis. Last week, Dun & Bradstreet reported 529 commercial and industrial bankruptcies—the highest in over 40 years and probably the greatest number since the Depression. Most of these businesses were the casualties of interest rates which have been driven skyward by the insatiable demands of the Federal Government for borrowed cash.

According to Manufacturers Hanover Trust, Federal and federally related borrowing totaled $154.5 billion in fiscal year 1981 or 85.3 percent of total savings. Federal credit demands at this level cannot continue without assuring a chronic liquidity crisis which will keep interest rates high and abort economic recovery. We have already seen two recessions in as many years. Unless Federal deficits are brought under control, stagflation will continue doing grave damage, not only to American business, but to the household economies of most of our citizens.

Under these conditions, it is little short of madness for the Government to be sitting upon untold billions of dollars of resources which could be liquidated to help meet its mounting cash requirements. It seems probable that an aggressive program to solve this liquidity crisis could yield far more than $17 billion worth of cash over the next several years.

If we adopted a revenue-maximizing approach to the disposal of Federal assets, the Federal borrowing requirement could be reduced by billions. If this reduction in the growth of the Federal deficit and the accumulated debt was only sufficient to reduce the average interest rate by one-half of 1 percentage point, taxpayers could save an additional $25 billion in carrying charges on the national debt over the next 4 years.

Furthermore, this reduction in interest rates would reduce the deficit in yet another way. It would reduce the interest rates paid by business and consumers, and thus increase the profitability of corporations. Last year, American corporations paid $64 billion in interest. These high interest payments reduced American corporate profits, thus reducing tax payments to the Treasury. Lower interest rates would mean higher profits, and thus greater tax revenues for the Government.

Mr. Chairman, it makes no sense for the Federal Government to hoard and mismanage idle assets at the same time that its massive borrowing requirements have sent interest rates skyhigh, wiping out over $1 trillion in the value of stocks and bonds, throwing the durable goods industries into depression, and turning the dream of homeownership into just that—a dream—for most young people.

The Nation will not suffer if some of the hundreds of millions of acres of Federal land or the hundreds of thousands of Federal buildings and facilities are placed in private use. But we will suffer, as we do today, if the Federal borrowing requirements are not curtailed.

A great part of our Federal land policy is oriented not toward the production of genuine public goods, but toward the production of private goods at public expense. A sound policy would require that such subsidies be ended, even if there were no liquidity crisis. Under the present circumstances, however, placing these properties in their most valued use is imperative.

Your proposal, Mr. Chairman, is a creative and important step in that direction. The American taxpayers are entitled to a full and honest accounting of public assets. This accounting should include recommendations to insure that the sale of surplus and excess properties yield maximum revenues to the Treasury. It is important that this promising program for reducing the national debt not fall prey to the common Government weakness of accepting bids in the largest possible parcels.

Sales of smaller parcels yield more revenue. For this reason and others, the payment for managers of this property liquidation should probably be on a straight commission basis. This would tend to insure greater fairness for small bidders, while maximizing revenues to the Treasury.

At the same time, placing the bureaucracy on a commission basis would help insure against foot dragging by removing the conflict of interest between the Government's need to raise cash and the desires of those within the bureaucracy to protect their domains.

Mr. Chairman, we support your far-sighted proposal and will do all that we can to help it succeed.

Senator PERCY. Thank you very much, Mr. Davidson.

I have about 2 minutes to make this next vote. I will ask Congressman Winn to begin the questioning and go on to Congressman Kramer and I will be back by then.

Representative WINN. Thank you, Mr. Chairman.

Mr. Chairman, it is not often a Republican from the House gets to control the gavel, but we won't abuse it. [Laughter.]

Let me ask you about your opinion on any special considerations that should be given to the States and the counties. For instance, I believe you said at the very last that you felt we should get the highest dollar value for any surplus property sales.

Mr. DAVIDSON. That is right.

Representative WINN. How do you feel about special consideration given to the States and counties under the present system?

Mr. DAVIDSON. Right now as I indicated in my testimony I think the special considerations have yielded grossly inefficient results over the past years. For example, the Brookley Field disposition is only one of many that could be brought forth ad infinitum. I believe the problem in this country is not that we don't have enough property under the control of local and State governments but rather that the Federal borrowing is driving both the State and local governments and the private sector into a state of near financial crisis.

It would seem to me that under the conditions that we face, the most important use for the funds we have available is to reduce the deficits and thus bring interest rates under control. If in the future, at a time when the economy is stronger, the State and local governments still have an added need to purchase excess properties from the Federal Government, then the Congress might review this procedure to accommodate that. But I think right now the crucial question is what are we doing with the reserves that we have available, the crisis that we face, the liquidity crisis is not an imaginary one. We have had a deputation from the European allies coming here begging us to reduce the budget deficit which they feel is going to throw the world into a depression.

That is what Chancellor Schmidt has said. One doesn't have to accept his analysis to agree that this is a great urgency and that we should act accordingly.

Representative WINN. There is some concern, which is understandable, over the way that the government operates, that some of these funds received from the sale of surplus property might get lost in the operating expenses of the various agencies.

Mr. DAVIDSON. Not only is that a possibility, I think it is almost assured, Congressman, if we proceed along the operating arrangements which have existed in the past. Even though I think they have backed away from it a bit, the Pentagon had a plan to use the receipts for disposition of surplus properties at the complete arbitrary disposal of the commanders or people in charge of the areas where these properties have been located.

It seems to me that what we want to be sure that happens is that funds are sequested and turned over to the Treasury for use in reducing the deficit rather than dissipate it as they are likely to do as you indicate.

Representative WINN. Has the National Taxpayer's Union run any estimates of the total values that might be delivered? I think most of us are in pretty much agreement that we probably don't really know what our total is, or what the total possibility is.

Mr. DAVIDSON. I think that is absolutely right.

Representative WINN. Have you run any figures?

Mr. DAVIDSON. Only to this extent: That we realize that the available estimates have common faults which underestimate the availability of these assets for reducing the liquidity crisis. To give you an example, it is almost always the case that a Federal property, when it is disposed of by the GAO or the GSA, rather in bid which as we see from this chart here, is a remarkably infrequent occurrence as it stands, is sold in the same form in which it came to them. If they get a property which is 500 acres, they will sell it in a 500-acre lot. Many times we know from other areas of life that you can deal far more revenues if you break the thing up in a commercial way, the way the private sector would if they had a large property for sale.

If you attempted to sell something like the Presidio which may well prove to be surplus because several efforts in the last few years indicate it ought to be declared surplus. It was only by the way the peculiar fears about this process that we have today as a way of disposing of this property which inhibit the Pentagon I believe from making it surplus.

If we tried to dispose of the Presidio in a block sale, we would only get a small fraction of what could be obtained by turning this extremely valuable real estate over to development in a private sector way. It is not to say I think we ought to erect skyscrapers from the edge of the Presidio to the Golden Gate Bridge, but to indicate as an instance how this property disposition has resulted in far less than could be realized if we set about it in an earnest way to maximize revenues.

Representative WINN. I'm glad you brought up the Presidio because when Dave Stockman was talking about the top priorities, I just wrote that down about 20 minutes ago.

Mr. Kramer?

Representative KRAMER. I have got two questions, if I might, Mr. Davidson. I am very concerned about once this becomes hopefully a very serious program and hopefully a large-scale one, there are many agencies that are going to be threatened or at least feel threatened by potential loss of valuable assets which applies to jurisdiction as well.

I am concerned that regardless of what policy may be set on top those somewhere in the middle who because of the system under which we work really could potentially footdrag for more favorable change in climate or torpedo the success of this effort.

I understand that agency reluctance. Quite frankly, if I were in a different position I might feel the same way. So, I understand the turfguarding process.

What I am asking is, even though it may not be something that at first glance would be the way to maximize the potential revenues that would be available for budget balancing or deficit removal or debt retirement, would it not make good practical sense to set aside a certain percentage of the proceeds on some basis for those agencies that are impacted by this process in order to get them to more realistically and certainly more enthusiastically participate in the process?

Would you think that potentially more revenue might be realized that way than if we were to totally ignore that concern that I have just talked about?

Mr. **Davidson**. Let me answer your very good question in this way. I think personally you are correct in perceiving that the incentive system as it exists today will point toward trivialization of this program so whatever can feasibly be done to reduce its effect will be done. One can predict with confidence that it will have minimum impact if something is not taking into account in terms of the interest of the bureaucrats whose domains will be infringed. I suggested in my testimony the way which I think would maximize this, attempt to overcome this obstacle which is instead of trying to present an intricate incentive by allowing the agencies themselves to rake off a portion of the proceeds of the liquidation, that instead the people in the bureaucracy who are placed in charge of this process should be paid on the basis of the actual net sales rather than on a civil service compensation basis.

This would insure that there would be a community of interest between their desire to be paid and their desire to maximize their importance and the need of the taxpayer and the Treasury to yield revenue. In other words, there is no reason in nature why people who are in charge of this process have to sit back and be paid regardless of how much effectiveness they have in producing revenue.

I would venture that if the head of the GSA who made or the official in GSA who make the decision not to sell the CIA farm had had his income tied to the sale of the farm, in the same way that a private broker does, he would not have cavalierly decided not to sell it or if he decided that, he would have at least bothered to venture to that place to see whether the bid was somewhere in accordance with what one would expect. The reason that the private sector is more efficient in producing outcomes is not because people in the private sector have any greater genetic endowment or because they are more intelligent or for any other reason except for the fact that the incentives that exist in the private life point toward active efforts to sell properties, those that exist in Government as we have heard point the other direction.

There are substantial and very frequently realized costs for bureaucrats who make decisions which later incur the wrath of the Members of Congress or the local communities that might be adversely affected by a quick sale or indeed by the administration, if political pressures are brought to bear through that method. The reason that a real estate broker can sell is he doesn't have to face these pressures or at least not in the same way.

So, my recommendation to you would be that we take up that insight that you have highlighted and put it to work, in favor of this program instead of as obstacle by paying the people who are in charge of it in some way in relation to the actual output that they produce.

Representative **Kramer**. So, you do agree some incentive system is required for the agencies to participate as we would like them to?

Mr. **Davidson**. They will otherwise trivialize it to the point it will just be a footnote and not an effective important program as it could be.

Representative **Kramer**. Let me ask you one other question, if I might.

That involved, I am fully in agreement with your principle about making sure that these sales are marketed in a way to maximize revenues; at least in terms of the size of the parcel so that potentially, I don't know to what extent we want to make the Government a subdivider, but at least the theory being that, of course, to the extent that we can sell smaller parcels obviously there is a potential of yielding more revenue.

I also might add that it has the potential, I think, for allowing more people to participate. I don't know how contemptuous this program will be as the investment, I hope it will not be.

I see pluses for everybody, certainly lower interest rates and lower inflation are things that all Americans share in. But I do see the potential somewhere out there for a great deal of contemptuousness.

I hope it doesn't happen. But we are talking about reversing ~~so~~me policies that have been building up here over a half a century.

In order to overcome that potential obstacle, it seems to me it makes good sense to allow as many Americans to participate as possible so that we don't have a situation where only Exxon or Mobile or some other large corporation comes in as a bidder.

Were you here during Mr. Stockman's testimony?

Mr. **Davidson**. He filled the room so efficiently that I was obliged to wait in the hall until some of the people had to go to the bathroom and I was able to sneak in.

I heard much of it but not the full testimony.

Representative **Kramer**. He and I got into a discussion. I am not sure that I agree with him. I think the points are certainly valid and that is that in order to maximize revenues, although he agrees that some term sales might be made or should be made in order to extend the ability of people to participate in this program, just out of the inability to make the total, cash transactions in the most favorable price that there might have to be some transactions and there should have to be some that will involve terms.

But he also indicated that he, though, in order, if that indeed is the case, in order to in effect raise the most revenue in the shortest period of time, that interest rates which might be charged on these sales ought to be at market rate.

At least this is what I inferred that he was saying.

My own thought is that although that in fact may be the way to maximize the potential revenues in the short run over a period of a few years, if you look at this as a long-term commitment, the program that potentially could run a generation or more, I am wondering if that in fact ultimately would be the best for our economy.

You are probably the one person that would at least initially strike me as a person who might share Mr. Stockman's view because we are obviously all and especially your organization concerned about the high deficit levels and doing anything possible to reduce it.

But I am thinking also that if we were to in fact charge on those properties or at least some of them a lower than market rate of interest, I don't know where the proper crossover point is, that the psychology that then might take place or might be in fact carried into the economy as a whole about high interest rates and be inflation, might have a very salutory effect of bringing down interest rates in general.

You, in fact, pointed out the high rate of interest we pay on that debt, just what a reduction of a half a percentage point might mean to the economy, and if we had an improved economy as a result of lower rates, could at least to some extent psychologically by lower rates provided for in this program, would that not be justification for perhaps at least in the short view collecting less revenue over the next year or two, as a result of those flexibility packaged terms, including a reasonable rate of interest, rather than if we were to charge the market rate of interest.

Do you have any thoughts on that?

Mr. **Davidson.** Yes, I do, Congressman. I would say that I agree with you and I respectfully disagree with you in a certain sense.

Let me say this: First of all, I think——

Representative **Kramer.** I don't know the answer to that.

Mr. **Davidson.** I think you are on the right track but I think you may be mistaken in thinking that the psychology of the interest rates would be the key here.

I think what would happen and where we should consider very actively the possibility of term sales at lower than market rates of interest is where that prospect would maximize the revenue to the Treasury.

Congressman Winn and I were discussing here a moment ago the case of the presidium. If we tried to sell that whole parcel in one block, even and then took back part of this at market rates of interest, we would certainly yield less revenue or realize less revenue than can be achieved through below market financing of smaller parcels.

If you looked at the housing market today, there are many pieces of property for sale with so-called below-market interest rates.

They are not for sale because the people who are making these sales want to encourage a psychology of lower interest rates but because this is the way to maximize revenue at the current moment.

I think that ought to be the governing consideration and I think that in principle one cannot decide what that level should be.

It would really be a response to the market conditions and I don't think it should be ruled out nor do I think that we should make a special effort to state that we will be below market financing.

I think what we need to do is create a circumstance with the incentives for the people making these decisions as the managers to dispose of it are such that they will want to maximize revenues.

It is my belief that the way to do that is to bring more people, more bidders into the process. One of the problems which we have had in general with the Federal property management is that we tend to want to lease out properties at the biggest possible lot.

We talk about oil and mineral leasing, we find that these blocks are so geat that many large oil companies have to come together in consortia to bid on them, instead of offering these things for sale in drilling blocks which would probably reduce or increase the revenues to the Treasury. The same thing is true in terms of our royalty arrangements.

The State of Texas gets 25-percent royalty arrangements on oil drilled on State property. The Federal Government gets one-eighth of the royalties. So, that is symptomatic, I think, of the way we have handled this. We haven't been looking at it from market perspective. If we did look at it that way we might well find that your concerns, Congressman Kramer, would be met because that might be the best way of yielding the maximum present value to the Treasury.

Senator PERCY. Did you finish your comments?

Mr. DAVIDSON. Has this addressed your concern?

Representative KRAMER. Yes.

Mr. Chairman, might I just ask one followup question because I really appreciate the witnesss' answer.

I think he has made some very good points that we need to maybe think about in a policy sense as we get into this further.

I have also pretty much misstated the litany, that if we monitize the debt that is inflationary, if we go to the credit markets, it pushes up interest rates as it competes with the private capital requirements.

But I have also heard and our economy is an extremely complicated entity and have been told by many people that interest rates historically follow the rate of inflation.

In other words, if you have a rate of inflation at point *y*, interest rates will be *y* plus a reasonable profit. If, indeed, that is the case, looking at where we are in inflation and we have made good progress, I think in terms of inflation, even largely probably because of the tight monetary policy, but if that were the case, then interest rates today ought to be a lot lower than they really are.

If you add the rate of inflation plus a reasonable profit, they probably ought to be five or four points lower than what they in fact actually are.

But I assume as the reason for that, of course, at least to some extent is psychological.

In light of what you have said in response to the last question, let me just pose this inquiry to you.

If the market was aware of this program, a commitment to this program, of the potential of this program, the fact it was a program that promised great benefits over a large period of years, would the psychology of knowing that those revenues were there to do something about deficit and the national debt in and of themselves be a very positive force in reducing rates or would it actually in effect take the paying off of those sums literally or would the psychology of the program being in place, could that have a favorable effect on interest rates over the short term?

Mr. DAVIDSON. I think, Congressman, in answer to your question here that you are correct, that the anticipation that the Federal borrowing requirement would be discounted immediately as soon as this becomes a credible project.

Let me say here this is why it is so important that this program not be trivialized, that it be allowed to work and that the function in an effective way because today as you mentioned inflation rate is much lower than the interest rates would indicate.

I believe that the reason for this is not hard to find, that it comes from the anticipation which reasonable people have that the process that we are now going through, this contraction in the economy, the very difficult recession is only a pause or a breathing spell in anticipation of yet another bout of inflation at a higher level.

Because of that, people do not believe that the interest, that the deficits will be controlled, that inflation will be brought under control and they anticipate coming soon to a position wherever investment which they have made in anticipation of inflation will be a good investment.

So what we have is a situation where too little cash is being stretched over too much debt. Eveybody in the world is in debt. The oil producing countries are in debt, our allies are running deficits, we are running deficits, the State and local governments by and large have deficits, the corporations have tremendous overhangs of debts they are trying to place in the market, eveyone is in debt, why are we in debt? Because we anticipate if we were rational people that the Federal Government will remain along the track that it has been going on for these many years which is as soon as a slight difficulty arises, we will be back along the inflationary road and then our debts will be redeemed.

It will be proven true that we have made a wise investment by borrowing beyond our means because we will be able to pay back these dollars in cheaper money.

The best assurance that we have that inflation will continue is this $1 trillion debt because most of us if we think about it wil recognize that a government or anybody or any agency or entity does not want to repay $1 trillion debt in sound money.

They want to repay it in cheap money. The best thing we can do to counter this consideration is to show that we are serious in trying to reduce these tremendous debts; the accumulated debts of the Government.

The way to do that is to make a program like this effective and then reduce this national debt and reduce the borrowing requirement rather than having the deficits pile up as we are today with the threat of a $300 billion deficit of only 4 or 5 years from now.

So in answer to your question, yes. It is a matter of psychology, but the psychology of the situation is based upon people's reasonable expectations and if you people today, in spite of the progress that has been made, really truly believe that 5 years from now we are not going to have even worse inflation than we have.

When that becomes a credible belief, when it is clear that the Government is serious and that the financial house will be kept in order, then the interest rates will fall like a stone and we will be able to spend more of our national resources and effort in doing those things that people want to see done, rather than in paying these staggering carrying charges on the anticipation that the Federal policies will be irresponsible.

Senator **Percy**. I think the last question puts really into perspective this particular legislation and we probably ought to see it as a component part of a total package that is required to meet this horrendous problem we face. It was this committee, Governmental

Affairs Committee, that authored the Budget Reform Act of 1974. I was the Republican sponsor of that and Sam Irvin, chairman of the committee and at that time, Ed Muskie, were the Democratic cosponsors of the legislation. This just seemed to me absolutely impossible for the Congress that has the responsibility for taxation and for spending to just respond to the Bureau of the Budget. We just didn't have the tools. We didn't have the way to respond to it. We just were chipping away at something that was given to us, backed up by hundreds of skilled people, that could outtalk us anytime.

So we had to have our own process. That is when we created the budget process, the Budget Committee. I was serving on the Appropriations Committee for a whole year. We never had a full meeting of the Appropriations Committee. We each looked to our 13 individual subcommittees, each becoming an advocate for them to get more money rather than put it in perspective as we do now in the budget process. So the Budget Committees were created.

That process then enables us as we sat with the President Tuesday morning and simply in effect said, this budget of OMB is not going to fly; no Member of the House and Senate that I know of is happy with a $1½ million deficit and is going to settle for it. We are going to have to cut expenses. We are going to have to increase revenue. So this legislation fits in with the increasing revenue end of it. But it was Alice Rivlin who on the question, Congressman Kramer, that you asked what effect is this program going to have on interest rates, who testified before this committee, that said in anticipation of debt collection, and we have already now for the first budget ever in our history cycled into this next budget debt collection on a real intensive basis. It will be billions of dollars. She said, that is going to help bring interest costs, anticipating that that money will be coming in. This program, $22 billion, whatever it is, over a period of years, can be cycled in and will affect the deficit. We can bring that figure down and we certainly intend to.

I would like to ask you a specific question on military property. You were here while we talked about Fort DeRussy and the Hale Koa Hotel and other such properties we have scattered around the United States. We are going to run into parochial difficulty. Everyone is for selling something in someone else's State or district. I touched base with a couple of Senators and Congressmen in whose areas we talked about this morning, property. "Oh, you don't realize, that has got to be kept. That has to be kept." But they are quite willing to sell something else, someplace else.

As you know, I just never—try to never take that attitude in Illinois, fought the Public Works project we had in southern Illinois and now in the midst of a real battle on a $12.8 billion tunnel in Cooke County. You don't usually fight public works projects in your own State. But this one is a battle that we are on right now because it is simply not cost effective for any taxpayers to be supporting that kind of expenditure even if it is in my own State of Illinois. I closed plants that we didn't need, with the—Government-owned, with 3,000 people in them when I discovered the duplicated facilities we had in other States and they were producing at a lower cost than we were. We closed those plants and I made the notification to the people out there. But do you think we can get enough support at the grassroots level from people to overcome these special interest groups that will fight to preserve everything and fight against our disposal of some of these assets? I am again excluding all those areas in the public domain that we look upon as our greatest treasures for the future. Those will be preserved and will be kept. But can we overcome resistance on, say, the military, take a new hard look at it and can organizations like the Taxpayers Union, the National Taxpayers Union give us the kind of support that we need to convince the taxpayers of this country that disposal of this property is certainly one of the best ways that we have of increasing revenues, certainly better than raising taxes?

Mr. DAVIDSON. I think, Mr. Chairman, that you will have few arguments with your effort in terms of the interest of the ordinary citizen. Where you will find the greatest opposition will be from those constituencies who feel they are advantaged by the current system and from the bureaucracy itself. That is why in my testimony I suggested that a part of this process be, this investigative process that you are now involved in, be directed toward assessing the subsidy value of certain kinds of properties which in the Federal land management, for example, not properties which are part of our Park Service and which are part of the heritage which everybody wants to protect, but really useless properties, properties which we have in the reach of urban areas which is leased out as grazing land when the real market value of these things is many, many times the value that they earn.

It is $1-an-acre grazing land. I think what you are going to find when this process gets underway is that once the agencies realize that there is a strong effort to dispose of these properties, that there will be incentives placed upon the people at the agency level to not declare surplus useless properties.

That is why a part of the study which you are undertaking ought to be directed toward assessing the subsidy implicit in some of the uses of land and other Federal properties which are very underutilized. Let's look, for example, at the question of how the GSA is leasing office space within the reach of other areas in this country where we have underutilized Federal facilities. That implicitly is a subsidy which should be counteracted.

I believe if you can produce in the process itself some way of accounting for these incentives which are perverse you will have a better chance of having the kind of result which all the taxpayers are hoping for. I may say too many of those who oppose this, many who have indicated a reluctance to go along with it, who have snickered at the idea that we are going to try to be concerned about the national debt, are the very people who complained the loudest about the cutbacks in social programs, about the other stringencies which have been placed upon the budget.

They should realize that every dollar is yielded from the sale of surplus and unneeded Federal properties is money which is available to meet the exigencies of the Government's other policies and if they are in favor of more money for food stamps for example, not that I feel we need more money for it, but they ought to recognize that there would be much greater likelihood that there would be more funds available if we could reduce this massive deficit instead of spending $25 billion in the next few years, paying interest on the carrying charges for our overdue bills, we would have that money available either for tax cuts or for more programs. So these are the kinds of considerations which I think that you ought to make to those who do oppose this program, to point out to them that if it really became a choice between food stamps if that is what they favor or selling some of this unused property, which they would prefer.

In a certain sense that is the choice because the budget stream is, the crisis that we are in today is such a great crisis that if we do not correct it, we will be beyond the reach of political authorities to make everybody whole again. We are going to have this continued fiscal crisis at the State and local level and in the community and the way to solve it is just exactly the way that you, Mr. Chairman, and Congressman Winn and Congressman Kramer have begun, which is to try to make sensible use out of the assets that the Federal Government has today.

Senator **Percy**. I thank you very much indeed. Your testimony is stimulating. The one concept alone of working on straight commission for managers of property liquidation, there is just no better incentive than a percent of what the sales price is, to not only move it, move it fast, or you don't get the commission until you get it, but also to get as high a price as possible because you get the highest commission. That is just human nature.

We are not using those mechanisms. Just like I suggested the other day on the disposal of agricultural property, we ought to put them to the bonus system. Based on incentives, all of the agricultural attachés around the country to have a job of disposing of agricultural surpluses. Put them on the commission. You would see suddenly those surpluses go down. That human incentive is just great. I say when the executive is on the bonus system, if one gets home at 5 o'clock and leaves at 9 and the other one gets home at 7 and leaves at 8, and one of them gets a $6,500 bonus and the other family hears about it, the wife is going to say, do not come home early, but stay later at the office and bring that bonus home. That is going to educate our children. That drive is necessary and that concept is very helpful.

Mr. **Kramer**. Mr. Chairman, it almost makes me think about changing my job. [Laughter.]

Senator **Percy**. There you are. If we would all be on a commission here for just one-tenth of 1 percent of what we are able to save and pay this bill, I would love that commission. That would be a great incentive. I think maybe we will have the staff put a question to Alice Rivlin and the Congressional Office of the Budget as to what impact this particular bill will have on interest rates, what potentially it can be and also an assurance from the Congressional Budget Office that they will factor in what the potential of this can be and what they realistically think it can be in working with our staff so they can put it in that budget figure.

Again it is that budget process that enabled Senator Hollings first to come up with a whole new approach and the chairman then, Senator Domenici, to come up with a whole new approach and have the staff back up to be able to convincingly show that a different budget approach has to be taken. Here I think both of them, the administration as well as the Congressional Office of the

Budget can start factoring in a new source of income that we have never ever factored into a budget before. If we put a commission basis in there, we can probably double the figures we have got in there right now.

I want to thank my distinguished colleagues very much indeed for the time that you have given this committee. I do feel that this record will be an invaluable record for us as we start our markup process here.

Mr. Davidson, we thank you and all of our witnesses very much indeed for your contribution, for appearing this morning, for the excellent testimony we have had. The comments, suggestions, will be useful in the immediate months ahead of us. We will keep the hearing record open through at least March 18, so all of the testimony we get on that date will also become part of one complete hearing record.

The potential for generating substantial revenue through this initiative is just tremendous. I am encouraged, more encouraged than I have ever been before and I was encouraged before as to the potential here as a result of this hearing today.

Without further business, the hearing is adjourned.

[Whereupon, at 12:40 p.m. the hearing was adjourned, subject to the call of the Chair.]

MANAGEMENT OF FEDERAL ASSETS

THURSDAY, MARCH 18, 1982

U.S. Senate,
Committee on Governmental Affairs,
Washington, D.C.

The committee met at 9:03 a.m., Hon. Charles H. Percy presiding.

Present: Senators Percy, Cohen, and Mattingly.

OPENING STATEMENT OF SENATOR PERCY

Senator Percy. Today the Governmental Affairs Committee concludes hearings on Senate Resolution 231, which calls for unneeded Federal properties to be inventoried and sold in a businesslike manner. We very much appreciate all of you being here this morning and particularly like to welcome—I won't say an old friend, a young friend of long standing to the Congress and myself, Alan Greenspan.

I am very pleased that this resolution has prompted so much action in a very short time. The President has moved swiftly and decisively to reform the way the Federal Government manages the hundreds of billions of dollars' worth of lands and buildings that belong to the taxpayers of this country. He ordered the General Services Administration to freeze the donation of below-market-value "sweetheart deals" of surplus Federal properties. He asked executive agencies to clean out their attics and identify unneeded properties which could be sold for the benefit of the taxpayers. He established a top-level Federal Property Review Board to expedite and oversee the inventory and sale of unneeded properties.

This is already bringing a big payoff. Last week Secretary Weinberger announced that the Defense Department is willing to sell the undeveloped land at Fort DeRussy—land on Honolulu's Waikiki Beach worth upwards of a quarter billion dollars. This is a land that I demonstrated photographs of at the last hearing, discussed with Secretary Weinberger, a matter that has been pending, debated back and forth for years. A decision has promptly been made, we are going to sell the unneeded property there.

When I introduced my resolution last October, my goal was to spur the administration into action. With this having happened, the resolution can now serve another important purpose, to give the President a clear mandate to get on with the task, and, at the same time, to offer our advice as to what kinds of properties should or should not be sold, and under what ground rules. In particular, we should clarify what we would like to see done, or not done, with the 90 percent of all federally owned acreage known as public domain lands.

Over the past several decades, we have sold almost none of these properties. In many ways, this policy has made sense. But in other ways, it has not. Anyone who says flatly that none of these properties can be sold is just plain wrong. And it will be my purpose to demonstrate that position is not realistic in times like these. Let me explain why, and in so doing, I want to draw important distinctions among three basic types of public domain lands.

The first includes all true national treasures—national parks, monuments, historic sites, wilderness areas, wildlife refuges, and Indian and Native lands.

Without question, these must be preserved as a public trust for all future generations—and no sensible purpose would be served by finding out what these properties are worth. They simply are without value, a value couldn't be placed on them and there is no intent and purpose to even consider disposing of any of those properties.

In the second category are the open grazing lands and National Forest lands, owned and managed in large blocks by the Interior and Agriculture Departments. Many of these lands are very scenic, provide habitat for birds and wildlife, and serve important recreational purposes. Likewise, most are leased to ranchers, lumber companies, or other tenants for commercial purposes—often for rents well below fair-market-value. The question of whether any should be sold is a very difficult one—one that requires much more study and far-reaching public debate than we have heard up to now.

Administration officials acknowledge that they are not giving a very high priority to the sale of large-block western lands. In my view, I don't think we should sell any of them until after we have considered the matter much more carefully. We will not need revenues from their sale to meet the President's budget goals through fiscal year 1985, anyway. Yet I firmly agree with the administration that we should start paying close attention to the economic aspects of Federal ownership of these lands. Like any landlord, the U.S. Government needs to know what his commercially leased lands are worth, if only to know whether he is getting a fair rent.

Now let's look at the public domain lands in my third category. These properties are fundamentally no different from Fort DeRussy and the parcels in the Washington, D.C., area that identified in the last hearing. Let me offer a few examples of public domain lands Uncle Sam plainly does not need to own. Here is a photograph of a 40-acre plot completely surrounded by a middle income housing development in Las Vegas. This is a roadway here and an area of federally owned land, if you can see the closeup, used as almost a junkyard.

The first example is a 150-acre parcel which sits right on the "strip" in Las Vegas, Nev. It is worth roughly $18 million, a smaller property next door recently sold for $9 million. In the past, valuable real estate like this has often been given away, given away by the Federal Government. But not this time. We recently sold this parcel to Clark County, Nev., for a whopping $2.50. Not $2.50 an acre, the whole area sold for $2.50. That wasn't exactly a hard bargain.

This 40-acre plot is completely surrounded by a middle-income housing development in Las Vegas. The land is worth about $1½ million, and it could hold well over 100 new homes. Up to now, it has been put to no use whatsoever. As the picture shows, it is just sitting there accumulating junk—not exactly its highest and best use.

This next aerial picture shows the outskirts of Palm Springs, Calif. On the right over here is a housing development, highly valuable, looks like roughly 60 to 70 houses on that strip. On the left is public domain land managed by the Interior Department. In the Palm Springs area alone, the U.S. Government owns thousands more acres at least as valuable as these. And I would suspect it would bring a handsome sum to the Federal Government. All of this is Federal land over here unused, certainly not used for wildlife refuge, recreation, just vacant, empty property. It could be put on the tax rolls. It could be sold and sold for a very, very high price. We must start selling properties like these for top dollars and no sweetheart deals.

At the time I introduced this resolution—before the President created the Federal Property Review Board—it was the policy of the Interior Department to either hold onto these lands indefinitely or else donate them to State and local governments. As part of this "good neighbor" program, Interior has received applications involving almost 1 million acres—several billion dollars' worth of assets. Being a good neighbor is one thing, but we also have to think about the people across town—that is, the taxpayers throughout America who do not want to see their property handed out for nothing. And particularly all the States east of the Mississippi River, there is very little of this property. How grossly unfair to have the population of the country there, to have lands given away all over the West and there is essentially no land to be given east of the Mississippi River. That is not a policy that is national policy. That give-away policy will almost imply the Federal Government is a philanthropy. We are not the Ford Foundation or Rockefeller Foundation. We are the Government deeply in debt, a trillion dollars or more in debt. This is not the time for Uncle Sam to suddenly be generous with a million acres of land, just giving it away.

If we thought of a corporation like International Harvester, hardpressed for cash, if they suddenly became involved in a program of giving away empty property, unused property, the board of directors wouldn't last very long at the hands of the stockholders. I don't think we in the Federal Government can afford to do this policy which in the past we may have found justification for, but today under the light of present circumstances, simply does not make any sense.

I see no advantage in keeping these lands in Government ownership—Federal, State or local. We need to get them in the tax base. Many State and local governments recognize this. In fact, sometimes after they receive Federal property donations, they simply turn around and sell the same parcels to private developers. For example, a large U.S. parcel donated to the city of Reno was later broken into smaller parcels and sold to J. C. Penney's for a warehouse, a mobile home park, and housing developers. I can understand a State, county, or city wanting to do this—but if Federal lands are going to be developed, I should think we want to see taxpayers throughout the Nation sharing in the financial rewards from their sale. And those rewards may be great indeed.

A committee investigator visited three western communities—Las Vegas, Palm Springs, and Reno—and at just those three sites, he found Federal land worth well over $100 million. Considering the hundreds of other western communities similarly surrounded by Federal land, the revenues we could collect from just a partial sale of these properties should be several billion dollars. This would be good for the taxpayers, and good for these communities—that is a lot of new tax base—all at no real harm to the environment. I also suggest including in this third category of salable public domain lands the scattered and isolated tracts that cost the Government more to manage than we ever derive in public benefits. Roughly 2 percent of all public lands fit this definition, and I understand that the sale of most of these parcels would provoke little or no environmental concern.

The President has now projected revenues of $4 billion from public lands sales through the 1985 fiscal year, and I am confident that this target can be met or exceeded by limiting sales to community expansion lands and scattered and isolated tracts.

Earlier this week, I received the assurance of OMB Director David Stockman that the administration will put these properties at the top of its priorities for sale. Also, I would like to see every effort made to sell these properties via procedures established by the Federal Land Management and Policy Act. Up to now, this act has not been used to its full potential, as the Bureau of Land Management has not done a good job of identifying and selling unneeded parcels. I would like to see us try harder to make the act work better before we talk about changing it.

Finally, what I hope we can do today is build a solid consensus—among State and local officials, environmentalists, private sector specialists, and others—to embark on a fair and balanced program to sell unneeded Federal properties. Let me assure you all that, based on what I hear today, I am prepared to amend the resolution to clarify what I would like to see done—especially with public lands. We invite all of you who are interested in this process, in the amendment to stay with us, that we have a resolution that we can really live with for a long time. On the one hand, we must preserve the American environment for the benefit of future generations. And on the other hand, we must preserve the fiscal integrity of the Federal Government for the benefit of present and future generations alike. But, as we work together, our number one goal has to be to get Uncle Sam back on a sound financial footing, reduce these crippling interest rates, and breathe a little more life in our economy. This concludes my statement. It is a long statement, but considering this is the final hearing before we go into markup, I wanted to give every opportunity to those participating here to get to thinking along with those of us who have offered the bill.

Senator Mattingly, we are honored to have you here today as a cosponsor of the bill. We are happy to have you make an opening statement.

Senator MATTINGLY. Not at this time, Mr. Chairman.

Senator PERCY. Fine. Regrettably we have had a number of organizations and individuals who did want to testify. We filled the agenda just as full as we could with the most representative membership groups. We were unable to schedule the personal testimony from Charles Callison, director of the Public Lands Institute. However, he has thoughtfully addressed a letter to me. We will offer his testimony and it will be incorporated in the appropriate place in the record of these proceedings today.[1]

Alan Greenspan, we are honored to have you with us as our first witness. In 1974 to 1977, you served as Chairman of the Council of Economic Advisors under President Ford, currently president and chairman of Townsend-Greenspan & Co. in New York, also chairing President Reagan's National Commission on Social Security Reform. Dr. Greenspan, I am pleased to have you here this morning, as is Senator Mattingly. I know you are on a tight schedule. I am especially pleased to have someone with your broad experience in the business world, your great expertise in the field of economics, as well as your knowledge of the Federal Government. You can provide a unique perspective with regard to this proposal.

It was my experience in the private sector that keyed my interest in the idea of selling unneeded assets as a means of reducing the national debt. As you know, many major corporations, such as Pan American Airlines and International Harvester, have liquidated assets to help stabilize their financial situation. There is no reason why the Federal Government cannot do the same. Again, I would like to thank you for being here today. I look forward to your testimony.

TESTIMONY OF ALAN GREENSPAN, TOWNSEND-GREENSPAN & CO., INC., NEW YORK, N.Y.

Mr. GREENSPAN. I am delighted to be here, and I am delighted to support your Senate Resolution 231.

Let me say in opening that I fully subscribe to your opening remarks. There is an increasing need to direct the management of Federal assets in a far more realistic manner. We no longer have the luxury to behave as we have in the past.

The appropriate evaluation of the market value of Federal properties will significantly improve the use of the vast set of resources of the Federal Government and of the Nation.

We can no longer afford the luxury of misvaluing and therefore inevitably mishandling the many hundreds of millions of dollars of market value of Federal properties.

It is more than the issue of appropriate disposal of properties when they are no longer of particular use to the Federal Government. When valued in the context of other values in the private economy, the cost to the Federal Government and hence to the taxpayer of maintaining properties in the public sector as distinct from selling them will become clearer. One should always raise the question: If these properties were not owned by the Federal Government today, would the Congress be willing to raise the taxes required to purchase them?

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[1] See p. 253.

The sale of such property should always be viewed as raising cash to refund taxes, openly forgoing having to raise taxes or finally to borrow the money in the capital markets. The latter has the same effect in the long run as taxation. It is, of course, taxation through inflation.

The effect on real resources is, of course, the same.

In that sense, Mr. Chairman, I think we should always be looking at the issue of property disposal or purchased in the context of whether or not tax moneys are exployed to purchase them or being refunded through their sale.

I also applaud the initiatives taken by the administration earlier this year to initiate a Federal Property Review Board to accelerate the evaluation and disposal of properties which should be in the private sector where they would be more productive.

I think that it is most appropriate in this context that we are seeing the Congress, through you, Mr. Chairman, and the administration, finally beginning to look at this extraordinary store of assets which all of us who have looked at the books of the Federal Government know are there, but have felt a certain sense of inadequacy in addressing this particular issue.

Hopefully things are now changing and a major new advance in Government management is on the horizon.

Perhaps the basic reason why the management of Federal properties by the relevant agencies is inadequate at the moment is that the appropriate incentive structure is missing.

Although in the general course of business, Government agencies pay rent, there isn't any attempt to simulate market property values in the structure of Federal Government management. It is not possible to appropriately manage assets unless they are priced correctly. I suspect, for example, that the rent the Office of the President pays on the White House is a steal. I am not suggesting moving this rent subsidy from the White House and putting it on the market for the highest bidder, although I must say there have been times in recent past when I might have looked favorably on such an initiative. [Laughter.]

This might not have been a major issue in years past when inflation was a minor factor in economic calculations and the relationship of property values, and economic values generally, did not change materially from one period to the next. But the dramatic rise in land values in recent years has altered the ratio of land to productive equipment.

This is a long-term process in which the physical amount of land obviously remains unchanged, but the population and the productive asset values continue to rise. This in turn creates, as one might readily expect, a long-term increase in land values which periodically get ahead of themselves and leads to retrenchments.

We have seen this on numerous occasions. The first major one in this country was in 1837 and we have seen retrenchments many times since and we will surely see it again in the future. This is all the more reason why we should be very closely tuned to a reevaluation of market values of Federal properties all the time.

It is fairly obvious that Federal management of properties does not appropriately capture any of these long-term significant changes in values. It is now important that they do. Changes in values may on occasion appear to be arbitrary and quixotic but over the long run in a market economy which is essentially free, wages, prices, equity prices and property values ultimately reflect the underlying value preferences of the individuals who participate in the economy.

The question inevitably arises, Should we put market values on national parks and public lands which have by statute presumably been eliminated from the economy?

In principle the answer is still yes, although I agree with you, Mr. Chairman, that it serves no current purpose nor any useful immediate future purpose. But choices are being made all the time with respect to the optimal use of governmental properties. There is a continuous tradeoff by the participants in a society between the values of federally owned land on the one hand, and the use of the land for economic purposes.

In fact, a good deal of the debate currently waging on the question of oil and gas drilling rights on Federal lands is clearly such an issue. That is while society's current value tradeoffs strongly reinforce the desire to maintain wilderness areas, for example, we should keep open the right of future generations to make their own choices, allowing value preferences to work their will, and the price of Government property enables those choices to be continuously and rationally updated.

I share what most have argued in hearings before this and similar committees that satisfactory reevaluation of Federal property holdings in the context of the dramatically changing property values of recent years and major fiscal problems is surely long overdue.

A first step in that direction is clearly to create a better accounting for the property already owned by the Federal Government. The chairman's resolution is a major step in this direction.

You should be complimented on voting this initiative.

Thank you.

Senator Percy. Thank you very much Dr. Greenspan.

According to Treasury Department reports, the Federal Government total assets amount to just over $1 trillion. That is about equal approximately to the Federal debt. Of the trillion, $130 billion is classified as real property assets. In spot checking some of these figures, it seems to me they are seriously underestimating our current market values since they really only reflect cost of acquisition. To demonstrate how much they are underestimated, all of the federally owned land in Nevada—more than 83 percent of all the land in the State—is valued at $60 million, which comes out to 65 cents an acre. David Stockman told us 3 weeks ago in this room that 17 acres of Defense Department property in Honolulu is currently valued on the Federal books at $220 million.

This means that almost the entire State of Nevada is officially worth no more than 5 acres in Hawaii. Senator Laxalt is cosponsor of this resolution, and perhaps set the record straight how valuable Nevada really is. Yesterday over at the White House I couldn't help but think, at the St. Patrick day luncheon, of the value of that land and what it is worth on Pennsylvania Avenue. It is on the books at $1,000, the entire White House property. There is no relationship between that and real value.

Do you think rather irresponsible for the Federal Government to not have the slightest idea what the value of the assets that we own are really worth?

Mr. **Greenspan**. Mr. Chairman, I think that we have skirted this issue for much too long. Instead of taking as a given that historically the Federal Government has owned all these properties, accumulated them, never looked back at original prices, and never evaluated them. We don't even know really what it is we have got. We cannot afford this any longer. This is a major attempt to understand what it is that the Federal Government has got; what we are depriving the productive segments of our economy of in maintaining these properties in Federal hands. Unless we understand what it is that Federal ownership is doing to the levels of economic activity and the standards of living of the American people, we have not really fully understood the management of properties.

I don't know what these properties are worth, Mr. Chairman, but I suspect that if there was a full and complete audit, the surprise would be how extraordinarily large those numbers are.

Senator **Percy**. I mentioned in my opening statement, Dr. Greenspan, the Federal Government has had a policy for years of giving away property after it is declared surplus. This practice has not only proven extraordinarily costly to the Federal Government but also extremely unfair. Right now, I talked to Secretary Watt on the telephone last night, he has an application from Governors essentially of Western States for between 300 and 400 applications for different parcels of land that total 1 million acres, all of them to be given to these States, with no restrictions placed on them. Once in a while the Government does sell property, as I mentioned to you. This picture of Las Vegas, this parcel and the Las Vegas strip was sold by the Federal Government, the entire parcel of land, for $2.50. That figure to be $1.50 an acre for land in Las Vegas. Considering that our lands in Nevada have a book value of 65 cents an acre, it looks like we took a loss on this acreage, we should have at least gotten a reasonable profit like 70 or 80 cents an acre.

On a serious note, I wonder if you agree with me that our fiscal situation in the Federal Government is so serious that we simply can no longer afford these giveaways or sweetheart deals—and it is time we started getting top dollars for properties like this that are really salable, it isn't any question that is salable property.

In Las Vegas, I don't know who the owners of some of these hotels are, I understand some of them have headquarters in Chicago. I can well imagine that these hotels, gambling casinos would like very much to have the Federal Government never sell these properties, and not ever put any competitors up there. I don't know what good it does the U.S. Government, Las Vegas or Nevada to have that simply taken out of revenue-yielding land, this is certainly not used for recreational purposes by anyone that I know of. The acreage, actually in the figures that I used before were sold at a cent and a half an acre, not a dollar and a half, a cent and a half an acre it averaged out. So that makes no sense at all.

Would you comment on whether or not you do feel that properties of this kind should be looked at now very seriously for sale, not giveaways.

Mr. **Greenspan**. Certainly, Mr. Chairman.

Remember that every dollar you receive from the sale of Federal property means it is $1 less that you have to borrow to finance the deficit. And every dollar that we borrow increases interest rates, creates the type of economic problems with which we have become all too familiar in recent months. Clearly this is in my view a major initiative in economic policy and I would suggest that as far as it can be pushed and as quickly as it can be pursued the better.

Senator PERCY. My last question to you goes back to the comment made to me when we came to the room on the speed with which we seem to be moving here not only a speed by the administration, Congress is moving very rapidly on this. We are trying to set a schedule today with Howard Baker, as leader of the majority, to see whether we can get this on the schedule and to mark this legislation up with the cooperation of Chairman Roth and the members of the committee. Also, I think across the country I have seen not only the news sections of the paper but editorials strongly supporting this concept. It came as a bigger shock to most people as it did to me that these practices were followed. And I have been very grateful indeed to a really dedicated staff who has rooted out this procedures and looked at what the past practices and said "let's stop, look, and listen, let's dig a whole new track and they have been working around the track to move this forward as fast as possible."

Every day we lose we are losing revenue. Do you think this would help, when you have sinking confidence in Government, Government's ability to really manage itself and confidence is an element in restoring an economy, could this just be one other building block in the step of restoring confidence in Government, giving people the feeling that the Federal Government is managing the taxpayers' money with wisdom now and with a policy that is far more prudent and far more businesslike than Federal Government has been in the past.

Mr. GREENSPAN. Yes, sir. It has been done so poorly in the past that I think there is an extraordinarily large amount of leverage to make very substantial progress very quickly. Considering all of the problems that afflicted Government in the last 6 or 9 months, it is a delight to see something that is working so well.

Senator PERCY. Thank you.

Senator Mattingly.

Senator MATTINGLY. Welcome, Dr. Greenspan.

What would be your answer to the people who are opponents to selling assets of Government?

Mr. GREENSPAN. It depends on what their reasons are. I can readily argue that there are certain assets that should not be sold. I don't think the question probably can be answered except in the context of a specific sale.

My basic concern is that there is a general view that if the Federal Government owns it now, that it should never be sold. It assumed a certain inherited right of Federal property ownership and that there is something fundamentally wrong about the Federal Government disposing of properties. I think in today's context there are two very important issues to keep in mind: The first one is as I indicated before, when you sell properties it means you don't have to borrow on the deficit, but secondly, when you sell properties especially when they are not being used productively, you are in effect adding assets to the private sector which can be used productively, can be used to enhance the economic performance of our overall economy and eventually to effect the standard of living of the average American.

Senator **Mattingly**. I assume you don't think it is unreasonable for people who want to be involved in, say, getting a piece of property from the Government that we ask then to pay a fair and reasonable price for that property, whether the interested party be a State or individual?

Mr. **Greenspan**. I think that property should be handled in a manner that a private business would, that one should pay fair market value.

Senator **Mattingly**. Do you think this project would give some signal to the outside that we are willing to control the Nation's assets, whether it be on national scene, or to Wall Street?

Mr. **Greenspan**. Only if it became extraordinarily large project. And I envision it, even under the procedures now supported both by the chairman and yourself and as I read it the Congress, the numbers are yet not large enough to make a meaningful impact on the financial markets or on interest rates. But in the context of all other initiates which will have to be pursued in this direction, there is no question that this is an important one. It is part of a broad overall economic package to bring interest rates down.

Senator **Mattingly**. You don't think it would have any real impact. That is, offering the Government's assets on the market at one time would not affect their price that much, do you?

Mr. **Greenspan**. I doubt it very much.

Senator **Mattingly**. I am glad to hear you talk about this problem—I remember my experience in the private sector, when making the decision whether to go out and borrow money versus selling assets, it was very clear, it was much easier and better business practice to go out and sell the assets rather than having to run down to the bank and borrow money.

Mr. **Greenspan**. I would agree with that, Senator.

Senator **Mattingly**. That is all I have, Mr. Chairman.

Senator **Percy**. Thank you very much.

Thank you Mr. Greenspan, I think we kept you right on schedule and we appreciate very much your being with us.

Senator Biden, we are delighted to have you here this morning. I understand that you have a specific interest in a piece of Navy property in the State of Delaware and we will be happy to here from you.

TESTIMONY OF HON. JOSEPH R. BIDEN, JR., SENATOR FROM THE STATE OF DELAWARE

Senator **Biden**. Mr. Chairman, I appreciate this opportunity to discuss your resolution calling for the restructuring of the Federal Government's surplus property disposal program as well as President Reagan's recent Executive order and its impact upon my State of Delaware.

I commend you for bringing to the attention of the Congress not only the Federal Government's land-disposal program but, more importantly, the fact that so little is known about our Nation's vast land holdings. I am convinced that this program—like so many we have debated during the past year—undoubtedly needs strengthening. Many of our Nation's current fiscal problems can be traced, in my opinion, to the persistent reluctance of Congress to systematically control Federal spending and to regularly reevalute the performance of all Federal programs. So I congratulate you, and your colleague from Georgia, for urging the preparation of an up-to-date inventory of Federal land holdings. It seems long past due.

In addition, the existing assessment process needs overhauling. Incentives for agencies to declare unused or underused land surplus appear to be necessary as does better marketing of surplus lands.

But I am concerned with the implication that the public good is best served only through the sale of surplus lands rather than their transfer to a State or local government willing to assume management of the land for specific public purpose such as resource preservation and recreation. I am especially concerned about land located close to urban or suburban areas where the market price prohibits fee-simple land acquisition by the State and local government.

So I cannot agree with the administration apparent decision to eliminate nearly all discount or no-cost conveyances of surplus lands to State and local govenments. State and local governments are in for a real trouncing from the Federal Government. As you know, there are mayors and Governors from both political parties who are less than enamored with the New Federalism. They have finally figured out what is going to happen with them. I think this on top of the New Federalism is just one more burden State and local governments are going to be hard pressed to meet particularly the local governments, which are dependent almost exclusively on property taxes.

This policy change which OMB Director David Stockman announced in his testimony to this subcommittee just 3 weeks ago, is just another example of how the administration has been pleading budget constraints as an excuse for abandoning long-standing bipartisan support for natural resource protection. But this Executive order must be examined along with other administrative actions which have an impact upon efforts to protect natural resources.

This action follows just weeks after the administration's proposed fiscal year 1983 budget requested minimal Federal funding for the Land and Water Conservation Fund, continuation of the moratorium on new Federal acquisitions, and termination of the fund's State-assistance grants. This latter action specifically ignores language included in the fiscal year 1982 Interior Appropriation Bill's Conference Report, which directed the administration to submit a budget request for State assistance in fiscal year 1983.

Not only is the administration proposing to withdraw Land and Water Conservation Funds from the States and localities, but also the Interior Department has proposed to discontinue the National Park Service's technical assistance program to State and local governments. Such assistance—with an emphasis on alternatives to fee-simple acquisition—was a fundamental part of the program operated by the Heritage Conservation and Recreation Service (HCRS) prior to its merger with the National Park Service last May. I raise these points to insure that this subcommittee realizes that terminating public land conveyances is not an isolated policy change. But let me return to the President's Executive order which is the subject of today's hearing.

In order to allow time to implement the President's Executive order, the General Services Administration has instituted a freeze on surplus land conveyances.

Let me get very parochial. There is, in my own State of Delaware, a situation relating to that Executive order and I hope that the chairman of this committee, Senator Roth, is cognizant of it. The specific situation may be unique, although I suspect that it is not. In any event, I am compelled to call this panel's attention to it.

With the advent of World War II, the Federal Government, for the purposes of national security, condemned and seized a large segment of the Delaware coastline. Those lands had been held in trust for the residents of the area for more than 250 years, but there was no protest—war appeared imminent and the lands were taken in order to construct defenses. And the people of Delaware supported that wholeheartedly.

All but 460 acres of that beachland has been returned to the State of Delaware and all that has been returned is now part of the Cape Henlopen State Park, providing recreation and relaxation not only to the people of Delaware but also to the many thousands of other Americans who seek to enjoy the unique seashore environment. Recently, the Defense Department declared 334 acres of the remaining Federal holdings excess to Federal need.

The State of Delaware, working closely with the National Park Service of the Department of the Interior applied for a property donation to absorb that 334-acre tract, which is surrounded by and accessible only through the State park. It lies totally within the State park.

But even though the land was taken from the State of Delaware for limited purposes by the Federal Government, it appears that the President's Executive order would forbid the just return of that seized property to its rightful owners. Rather GSA would sell it to the highest bidder. Simple justice—as well as the inutility of the land for private use—should dictate otherwise.

The history of Cape Henlopen's dedication to the citizens of the area predates by a century the history as our Nation.

In 1682 William Penn conveyed those lands to Edward Warner. They were to be held in trust for the common usage of the people of the area. The "Warner Land Grant Trust" was reconfirmed by Penn's heirs, and when Delaware became the first State of this great Union in 1787, control of the lands in trust was inherited by the State of Delaware. Use of contiguous lands by the Federal Government for Coast Guard, quarantine and defense stations was provided by the State as a partner in our Nation's development and protection.

In 1941 the War Department condemned and seized 1,010 acres for purposes stated in the 17th clause of the 8th section of the 1st Article of the Constitution of the United States of America, which provides that lands be donated by the States for the erection of forts, magazines, et cetera. Four years later, the Delaware General Assembly ceded jurisdiction over those same lands to the United States under condemnation proceedings but for those specific purposes outlined by the Constitution.

Late last year the United States Navy and the Department of Defense declared that there is no further defense need for the property and the Navy has closed its facility there. The General Services Administration has also declared the property surplus to the Federal need.

Clearly, that property should now be returned, promptly and at no cost, as provided under Public Law 91-485, to the State of Delaware.

The State's Division of Parks and Recreation is the administrator of the Warner Land Grant Trust. The parcel in question is inclosed on three sides by the existing State park and on the fourth by the Atlantic Ocean. All roads leading to it are owned and maintained by the park. According to the Navy's surplus property report, whoever, acquires the property is required to provide water and sewer to an existing 16-acre Naval Reserve base, but the water and sewer service is in fact owned and provided by the State park.

There will never be any development on the property because the State will simply not allow the desecration of pristine wetlands and the unique "Great Walking Dune."

So while the property is of immense value as a park to the citizens of Delaware and their many thousands of visitors from other States, it has virtually no real market value to anyone else—its best and highest and only use can be as an addition to the park.

Even disregarding the specific covenant between governments and citizens regarding this property and the fact that the parcel is an inholding in a State park nearly 3,000 acres in size and the fact that it has value only as a State park, no one should disregard the precedent of the Federal Government taking from the State and then proposing to sell it back to the State.

No government should be permitted to condemn and seize property for a specific use, then sell it back to those from whom it was taken. The land in question belongs by right to the people of Delaware. It should be returned to them, promptly and at no cost.

Such action would in no way impugn the principle embodied in the Property Review Board, nor would it impede that Board's assessment and disposal of surplus lands that fall legitimately—as this Cape Henlopen land does not—within its intended jurisdiction.

I urge the committee to insure continuation of discounted or no-cost conveyances to State and local governments. At a minimum, those lands which were in the process of being transferred, as the Cape Henlopen property was, should be transferred without further delay.

The State government has been prepared to take possession within the next month. Everything is finished. All the Federal Government has to do was sign the final papers. Now this Executive order has frozen everything. I think it is a serious shame.

Another comment I would like to make is not as parochial. I think the chairman makes very good points, with all those displays he has up there, showing how some transfers have been misused and the Federal Government has not gotten the taxpayers dollars' worth out of them. I assume by implication they have been transferred to some States at no cost where the States then allowed commercial development to occur which was not originally intended.

As you consider whether or not there should be no cost or low cost transfers to State and local government, I think you would be much wiser to restrict the use of that land by the State. Maybe you have already done this, but if the State says it is going to use donated land for recreation it should not then be allowed to sell it for commercial development. I think a much wiser policy would be to restrict future uses rather than to outrightly say no to all transfers.

A lot of our States, particularly the States in the northeast and northern midwest are in serious financial trouble. They have enough trouble seeing that there are enough policemen on the payroll these days, and they are not going to be in a position to come up with additional funds to preserve those lands that are worth preserving which are already in public ownership especially given the cuts in land and water conservation funds.

I know the chairman well enough to know that he is not in this exercise attempting to do away with national parks or sell the heritage of Americans or anything like that. He has already written protections into the resolution he has proposed, so we are not talking about selling off parklands or other historic monuments.

I would add one more point. The chairman, I would hope, would look very closely at whether or not there is a use of the land consistent with the preservation of the heritage and the recreational requirements of States and localities and see if those transfers might not better be served by them being transferred at no cost to State and local governments.

I think, as I said, that the chairman is very wise in pursuing this whole area. I have been on the Budget Committee since its inception, Mr. Chairman, and one of the things we are always told is how bad off the Federal Government is fiscally. State Governors would come in and lecture us how they have their house in order. They are not doing much lecturing these days. But when they have come in, they failed to make the legitimate comparison.

Almost every State in the Union does have an accounting of what they own in terms of State property. It is counted as an asset and does offset the deficit. Some have estimated that the U.S. Government has up to $1 trillion worth of assets it you count every Federal building, every single thing the Federal Government owns. These assets are not counted on the balance sheet in determining whether or not we are in good or bad financial shape, then we look out there and see we have a $100 billion deficit. The fact of the matter is maybe this calculation you call for will give us a better perspective on just how bad or good a shape the Federal Government is in.

I plead with you not merely for the parochial interest, although I think is a real one. I have seldom appeared before a committee of the U.S. Senate or the House, but here we have a case where some of the most beautiful beach land other than in Georgia on the east coast is threatened. It doesn't have a single building on it. It is just for the folks. All this acreage is just sitting right in the middle of a State park but the State of Delaware can't afford to buy it.

It is totally isolated. It is surrounded on four sides, no one else can use it. I would sincerely hope you consider giving some relief in this case regardless of what you do on these other matters.

Thank you for allowing me to be parochial. I will be delighted to try to answer any questions either of you have.

Senator PERCY. I thank you very much indeed, Senator, you make a persuasive case. And we have tried to make it clear that there may be exceptional cases, and that is why the creation of the newly established Federal Property Review Board was set up to exercise a judgment.

However, we do have to take into account, I think before you came into the room I mentioned that in discussion with Secretary Watt last night, he has applications from Western Governors for 300 to 400 parcels of land totaling 1 billion acres that they have asked to be donated to their States. I think first of all the suggestion you have made that there ought to be a requirement that it cannot be turned into commercial property right away should be considered, that is a good suggestion but it is ludicrous for us to be giving away land, as we have shown by some of these pictures, the municipality of the State immediately turns around, develops it and gets an income from it, a handsome income; it was Federal property, it wasn't their property.

Senator BIDEN. I couldn't agree more.

Senator PERCY. That is seen less for us, philanthropy, particularly when most of these States who applied for this land have balanced budgets and we got a $1 trillion deficit and more. We simply are not in a position to any more. Furthermore, I know that Delaware is hard pressed on unemployment. They are hard pressed on businesses, farms, and so forth, with high-interest cost. Unless we get this deficit down, those interests costs are going to be staying high and the people of our States are all going to be hurt by this and particularly if we give away land, we don't have much in the Eastern part of the country, it is all going to be West and we are going to be paying that cost and not enjoying it.

Furthermore, you have said that the property that you are discussing is of immense value to the citizens of Delaware and those who visit. I have no doubt of that. My principal question goes back what happened at the time the Federal Government in World War II took this property as constitutionally it has the right to do so. Every State is proud to participate in the war, give up land that it held so that forts, training bases, could be established in those States. But according to your records, was that actually given to the Federal Government by the State of Delaware or did they pay for it and if so how much did they pay, and was it fair market value at that time 41 years ago.

We can imagine what property right outside is worth, southeast 41 years ago and how much it is worth today. Did the Federal Government pay fair market value and if so, how much?

Senator BIDEN. I believe it was paid $97,000 for all 1,010 acres of which half was used to compensate leaseholders. The amount was determined in a condemnation proceeding by the U.S. District

Court for Delaware. I will double check that for the record and submit that.

Senator PERCY. My figure is $94,000 in 1931.

Senator BIDEN. I will accept your figures.

Senator PERCY. That then comes out per acre at what was considered at that time and negotiated fair market value the Federal Government paid for it.

Senator BIDEN. That is my understanding.

Senator PERCY. I would certainly have no objection if the Federal Government declares this property surplus and the State of Delaware wants it and if you say it would be an immense value to the citizens of Delaware for them to talk about what that property is worth now. My concern is—maybe you do have an exceptional case but it was paid for by the Government at a fair market value at the time when they could have seized it, they had the right, were in a war, we do not have time to even bother fair market value, we are taking it, but they didn't, they paid fair market value at that time. Wouldn't it be wise under these conditions with no emergency for the people of Delaware to say, look this is an investment for the future for our State, we are not saying it has to be paid for tomorrow in cash, notes from Delaware to the Federal Government would be discountable I am sure. I am not trying to judge what the Federal Property Review Board should do, maybe they would be more generous than me. It is their prerogative. We should give them guidelines as we go along. Wouldn't it be wise to sit down and say how much it is worth now. They have already given back over half of it and that was given back under a policy that existed at that time and we are not trying to make this retroactive, but let's say against the value of $100,000 41 years ago, what is that remaining 460 acres worth, and see what sort of value.

Senator BIDEN. That sounds reasonable on its face, but I would argue that on further thought—it is not as reasonable as it sounds. Let me explain why. This land is not merely a trust to the citizens of the State of Delaware, it is a public park which serves as if it were a national park. There are literally more people from other States that come into that park than from the State of Delaware, No. 1.

No. 2, it seems to me that in our concern about the deficit we may be missing another point. It has been the policy of this country, and I think it should not change, that there are certain important landmarks and certain national resources that should be preserved, period, as a matter of policy.

Cape Henlopen's Great Walking Dune is one such resource in the region. Such dunes are unique on the eastern seaboard and are vanishing, as the Senator from Georgia can tell you, given his knowledge of the Atlantic coastline. He not only represents a coastal State, but he lives along the coast. The dunes at Cape Henlopen are not replaceable. But to suggest, as the Executive order does, that the 600,000 people in the State of Delaware should bear the full cost of preserving it for the Nation, I think would be to miss the point.

The second point I would like to make is that the cost of park acquisition these days is significant. But an even larger portion of the cost is the maintenance of those parks. I need not tell both my colleagues who have large State and Federal parks in their States. And the fact of the matter is that I would argue that the State of Delaware and the taxpayers of the State of Delaware are doing a service for the citizens of the United States of America.

It would be a mistake for Delaware to decide, which we have not, that State parks would be only opened to residents of the State of Delaware. But if it makes sense to charge the citizens of the State of Delaware for the return of Cape Henlopen, I would argue it would make solid policy for the State of Delaware to put a sign like they had back in 1968 on the Candid Camera show as you crossed into Delaware from the Pennsylvania line—"Full. No more accepted"—just to see what people would do. I would suggest if, in fact, a commercial asset is sitting out in Cape Henlopen, that it makes sense for the citizens of the State of Delaware to say that nobody from Washington is allowed to go into that park—no one from outside Delaware is allowed to enjoy the beach. Cape Henlopen is a State park. We pay the maintenance. The nominal fee charged for entry into the park doesn't cover the maintenance. I would assume we think that was ludicrous.

The fact of the matter is, when you have a situation where the State in question services not only the citizens of their State but citizens of surrounding States and the Nation by preserving a portion of the heritage of this country, I think that the equation changes. Obviously you can see I feel fairly strong about this.

I have been a Senator for 10 years. I started 10 years ago trying to get back that land and I got all but the last of it. I don't know what the fair market value is but I am going to suggest that the Delaware National Guard patrol the road because no one is going to be able to get in and out of there without a helicopter. [Laughter.]

I really mean it. If I were Governor of the State of Delaware and this land was not returned to the State of Delaware, the fellow who buys that land as well as those who use the remaining 110 acres of Federal land had better have big ships because they couldn't cross the Delaware State park land to gain access to their property.

Senator Percy. I want to be able to safely come back from Delaware. I am not sure I will be able to go anyplace in the United States after the bill passes. I have great respect for the great Governor there. I was just with him recently. But I know I have a great affection for Hawaii, I honeymooned out in Waikiki Beach and one of the Senators talked to me about our selling some of that land, it has a hotel, 73-acres of land of Waikiki, "You are not going to sell that. Give it to Hawaii, give it to Honolulu." We are not in that position.

Senator Biden. I have been to that hotel. You are going to make money.

Senator Percy. In 2 weeks we got a decision, Secretary Weinberger has made the decision we are going to sell that property that is not needed and we are going to get one-quarter of $1 million for it.

Senator Biden. God bless you. [Laughter.]

The difference between that hotel and the one I am talking about is that Hawaii can make it a moneymaker. Delaware is not going to make Cape Henlopen a moneymaker. Delaware is going to preserve something this country needs to preserve. It is an open dune. There aren't many of them left.

Senator PERCY. I hope you do preserve it. I hope you buy it and I hope you get a fair price.

Senator BIDEN. I need your help, Mr. Chairman. I need your help very badly and I need the help of the full chairman of this committee.

Senator PERCY. I would like to take you up some time to see some of the most beautiful shoreland you have ever seen in your life on the Great Lakes, in Lake Michigan with Fort Sheraton and Great Lakes, two tremendous areas—golf courses, swimming, it is beautiful.

Senator BIDEN. We don't have any of that.

Senator PERCY. I can see if we start giving this away that the village of Lake Forest, the impoverished village in Illinois would want a donation.

Senator BIDEN. Keep in mind, fellows, no golf courses, no bathhouses, no nothing. It is plain, old, open land, and the State of Delaware promises it is not going to allow anything to happen to it. If you take a putter or sand wedge to that nice flat portion of the beach, you are in trouble. We are not doing anything except keeping it open. We need your help, it is not a moneymaker.

Senator PERCY. Senator Biden, your story has touched me. [Laughter.]

Senator MATTINGLY. Are you going to run for Governor?

Senator BIDEN. I am thinking about it.

Senator MATTINGLY. You said you had been so unsuccessful in trying to get this land and only a Senator.

Senator BIDEN. I got most of it. I got 90 percent but you guys are keeping me from getting the rest.

Senator MATTINGLY. Congress may want to make exception, to Senate Resolution 321 on certain lands. I disagree, however, with your comment about Delaware being unique. I think any State would think it is unique due to the land that is owned and the people that come into visit those States and their national parks and State lakes from other States. There is as much pride in Idaho as there is in Delaware, and maybe even a few people from Washington, D.C., go there for vacation.

You told us what the use was going to be of the land. Have Delaware officials considered the possibility of a land swap?

Senator BIDEN. The answer is, I don't know.

Senator MATTINGLY. That may be the answer to your problem. I know that in Georgia there was one section of property that was purchased by the Government, and we are considering a land swap to obtain it. If such a land swap couldn't work out, your pleading here for an exception maybe we ought to consider that. A land swap is just a suggestion.

The other area in your testimony that I am not so certain about is when you brought up the New Federalism: you were beating that to death. I want to throw in one sentence: The sale of these assets, and their assumption by the private sector will help the State governments eventually by putting those assets on the tax rolls where they will be generating more money even though you are a poor State and only have three counties.

Senator BIDEN. And we only have two at high tide. I want to tell you something. You fellows talk about the value, maybe I should make the argument to the Board because the fact of the matter is I can't understand what the market value would be if you can't get to it.

Senator MATTINGLY. There must be some value because the Government paid $94,000 even though you made the statement that there was absolutely no market value to it."

Senator BIDEN. But they own the rest around it. We got that back and now all the Federal Government owns is land in the middle and you can't get to it except by what we now own in the State of Delaware. I guess we would argue in court it has no market value in the State of Delaware. I made my point to you fellows. I will be back.

Senator MATTINGLY. As governor.

Senator BIDEN. As Governor of the State of Delaware. I am not that slow. I don't want to be Governor. It is too tough a job.

Senator PERCY. Senator Cohen.

Senator COHEN. Mr. Chairman, I came to be enlightened by the GSA and entertained by Senator Biden, I am sorry I missed the entertainment.

Senator PERCY. You see why our Foreign Relations Committee is a lively committee.

Senator COHEN. I can see why the CIA won't turn the information over to Senator Biden.

Senator PERCY. Thank you very much. We appreciate your being with us.

Next we will have a panel of witnesses composed of Mr. Barry S. Tindall and Mr. James Kozlowski of the National Recreation and Park Association, and Mr. Theodore Flickenger and Mr. Peter Koukos of the Illinois Association of Park Districts.

Gentlemen, I would like to welcome you here. I can understand that you have mixed feelings about the idea of stopping donations of land for creating new parks, but hope you can agree with me that there are better ways to still meet your goal of more recreation spaces for the public—expecially in urban areas—while returning more revenues to the Federal treasury.

I look forward to hearing your testimony at this time.

Mr. Tindall?

TESTIMONY OF BARRY S. TINDALL, DIRECTOR OF PUBLIC AFFAIRS, NATIONAL RECREATION AND PARKS ASSOCIATION, ACCOMPANIED BY JAMES KOZLOWSKI, ASSOCIATE IN PUBLIC AFFAIRS, ALEXANDRIA, VA.; AND THEODORE FLICKENGER, EXECUTIVE DIRECTOR, AND PETER KOUKOS, PRESIDENT, ILLINOIS ASSOCIATION OF PARK DISTRICTS, SPRINGFIELD, ILL.

Mr. TINDALL. Thank you, Mr. Chairman.

First, we appreciate being here and we appreciate very much the time that Alan Mertz of your staff has graciously given us to discuss the resolution and a lot of the issues surrounding it.

I am Barry Tindall, director of public affairs for the National Recreation and Park Association. To my left is James Kozlowski, associate in public affairs, an attorney who specializes in public issue analysis.

The resolution and the discussions and the hearings to date have talked about many different types of properties as well as properties administered or under the aegis of different Federal statutes.

We will not focus today on the Western lands, if you will, administered by the Bureau of Land Management and the other Federal agencies, rather our testimony will focus on those lands administered and potentially offered as surplus by the General Services Administration through the Federal Property and Administrative Services Act.

While we will not focus on the Western lands, we would clearly hope and expect that the resolution would be sufficiently clarified, and you, Mr. Chairman, have done that eloquently this morning, to indicate that there would be no "For Sale" signs placed at the borders of the national wildlife refuges, et cetera. This is not to suggest there should not be intergovernmental planning and land management decisions that involves national parks, forests, wildlife, refuges, and public domain lands.

We applaud your inquiry into strategies to deal with the national debt and to mitigate associated problems.

We support and applaud a process which clearly and fully evaluates the potential public and private uses for the surplus Federal lands in a systematic fashion.

We would recommend that that assessment process and the consideration of future uses of land fit into several frameworks, some of which already exist at the State and local government levels. Not the least of these are local ordinances dealing with land use and zoning, and at the State level such things as the State comprehensive outdoor recreation plan, although that latter plan is very much in jeopardy because of the serious problems with the Land and Water Conservation Fund, which I will mention later.

We agree with the observation of many other people that the present surplus property disposal system is very much discretionary and should be sufficiently strengthened.

Dr. Greenspan, and I think in some respects, Senator Biden, spoke to one point that we would like to again call to the committee's attention. That is, what would a full accounting of the public costs and benefits of surplus property transfers reveal? By full accounting we mean on examination of all public costs, whether a property is sold or given to another public agency, or sold on the private market. What economic lines can be drawn from each type of transfer?

In other words, a dollar of assets sold or removed from Federal rolls is not the only dimension you can look at. If you sell off a piece of property and get that off the books, what else have you given away?

We suggest that tax statutes dealing with real property, especially the amount of tax savings that a corporation can achieve ought to be considered when you talk about a public cost-benefit ratio, if you will, for Federal property. The American taxpayer is clearly paying for Federal tax advantages available to private speculators, and these costs have to be considered in the context of this legislation.

We should note on the bottom of page 3 in our testimony that under the present real property law, Public Law 91-485, which allows the transfer and discounted sale of certain properties for park and recreation purposes, that the law does not require that these be given away. In fact, there are numerous instances where they are not given away free and clear. The price has been substantially discounted in many instances. So there are many dimensions that one has to look at in that context.

In some respects, relating to the Cape Henlopen State Park situation, in offering these surplus real properties you have to look at how the national government acquired the property in the first place, as well as the other conditions that Senator Biden referred to.

On the matter of "giveaways": I am sure that you did not mean that every transfer of Federal real property is a "sweetheart" deal. The notion that State and local governments and the people they serve are sitting out there waiting to get these surplus Federal properties must be carefully examined. These governments incur substantial costs in the receipt, development, and long-term operation of these properties.

Senator PERCY. Mr. Tindall, could I remind you that you were advised ahead of time you were to summarize in 4 or 5 minutes. We have such a large number of witnesses that we will never get through this morning if we don't do that. I am sorry on the time limitation.

Mr. TINDALL. Concluding this point, we would suggest that you have to examine the giveaway concept, Senator, and we suggest that that examination will reveal other economic conditions that would very directly affect the resolution before us.

Let me quickly mention the Land and Water Conservation Fund. It has been mentioned at different points in the hearing record and in part relates to point 5 of Senate Resolution 231.

On page 7 of our statement, we have a summary of what the Land and Water Conservation Fund has received from the sale of surplus Federal real properties.

Whether the $708 million that has accrued to the fund from real property sales would significantly impact the economy of the United States is, of course, debatable.

We would be happy to answer any questions that the committee might have after other statements are completed.

Senator PERCY. Thank you, very much, indeed.

Mr. Koukos?

Mr. KOUKOS. Good morning. My name is Pete Koukos.

I am a citizen of Highland Park in that great State of Illinois, serving as a noncompensated, elected commissioner of the Park District of Highland Park and elected president of the Illinois Association of Park Districts.

I also happen to be a retail grocer. Dr. Ted Flickenger, executive director of the Illinois Association is accompanying me today to support the association testimony.

Senator, if you don't mind, I would like to digress from the testimony that we presented and perhaps make it a little shorter.

I speak to you from two viewpoints, from that of an entrepreneur and as an individual citizen with sincere interest in parks and recreation.

I certainly concur with your opening statement. I also concur with some of Senator Biden's points which I would like to address later.

The sale of Federal surplus property should not be a short-term solution to the long-term problem. We presumed that the proceeds will be used to pay off the debt and not to balance the budget and that as a laudable goal. But what benefit will there be to pay off this debt, to sell this land, if we continue deficit financing?

How much land can we continue to sell to pay off continuing Federal deficits? Local government and business cannot compete for financing. The Federal Government eats it all up.

As to Senator Biden's point on acquiring this land, how can State and local governments buy those lands back or buy any open space with the interest rates at their current levels? I might add you mentioned Fort Sheraton. Highland Park is adjacent to Fort Sheraton. Some day we would like to see that turned into a State park when the Defense Department decides to relinquish its hold on it. I might also point out, Senator, I think your closing paragraph was very appropriate and to the point:

> As we work together, our number one goal has to be to get the Federal Government back on a sound financial footing, reduce these crippling interest rates and breath a little more life into our economy.

That goes for local government as well as business.

To summarize, we agree after appropriate review we should sell and reduce our existing debt, sell these surplus lands to reduce our existing debt. We should also set up a conservation fund to acquire open space where people live and to replace local and State funds that have been diverted from wartime.

On behalf of the Illinois Association of Park Districts, I appreciate the opportunity to speak before this committee.

Senator PERCY. I very much appreciate your testimony and I think having a national organization that represents the testimony of 16,000 individual organizations and then one district that covers the complete State is a very helpful balance here. First, Mr. Flickenger, the present process is now a very haphazard park plan—it allows for parks more or less there—there happens to be excess Federal properties. As you know, areas such as those around Chicago, there is very, very little open space available for public recreation, that is why sand dunes in Indiana have been so important to us, we don't have a single national park in the whole State of Illinois for 11¼ million people.

My question: Shouldn't park land be more where people can get to it, such as the proposed Illinois and Michigan canal corridor area, which we have been talking about with the Interior Department, using government funds for planned areas where parks are needed, and not having a park system depend on where excess Federal properties happen to be?

Mr. FLICKENGER. If I might add something there, yes indeed, we have 75 percent of our population in this country living on 16 percent of the land. One of the points that we would like to make in

Chicago with over 3½ million people, there are 7,200 acres of open spaces of parks, all you have to do is take any day even in the winter, to visit any of these parks in Chicago to see how extensively they are used.

They do need more. We are losing ground because of encroachment and now a moratorium on the Land and Water Conservation Fund and the Urban Park Recreation Recovery program. Parks are sparsely located all across the country. Eighty percent of the national parks are located where 20 percent of the population exists.

In Illinois, in Peoria, Chicago, we don't have the open spaces, the recreational areas accessible.

Senator **Percy**. Is the association familiar with the consideration given for a proposed Illinois and Michigan canal corridor area which is very low cost to be made available to people within 1 hour's drive, 6 million probably, something like that, well worth planning and moving ahead with for developing purposes?

Mr. **Koukos**. Absolutely and we concur with you on your proposal to do that. We will do whatever we can to support that effort.

Senator **Percy**. I thank you very much indeed. We are building a valuable support—we are working with some of the chambers of commerce that have raised a few objections, we think those objections can be overcome. I think moving ahead in areas like that are extraordinarily valuable.

Mr. Tindall and Mr. Kozlowski, do you agree with me that some percentage of revenues raised by the sale of Federal properties should be specifically set aside for planned purchases of open space particularly where it is more needed in urban areas, for example?

Mr. **Tindall**. Revenues from surplus sales are now credited to the Land and Water Conservation Fund. If your question is: Should there be fewer fluctuations in appropriations from the Land and Water Conservation Fund, the answer is clearly yes. That would be helpful, because the "roller coaster" effect that the States and local government have had to deal with over the last, say, 3 years, and most seriously over the last 2 years, simply eliminates the opportunity for reasonable fiscal planning on the part of State and local government.

The figure that we have in our statement notes that something in the order of $900 million has gone into the Land and Water Conservation Fund from the sale of surplus Federal real properties since 1965. However, these revenues have been appropriated from the fund in a manner that defies tracking its source: some goes to acquire Federal property; some has gone to acquire local property.

On an average revenue from surplus sales has been, say, $40 million to $50 million a year, up to the time when accelerated sales were projected in this fiscal year and last fiscal year.

It would be extremely beneficial to the National Government, through a New Federalism concept or something similar which, frankly, could include the Land and Water Conservation Fund, to encourage State, local, and private sector interests to do what the National Government has frequently been asked to do, not only with 100 percent front-end costs but management costs in perpetuity. Alternatives to this "full Federal" approach causes excitement for the Illinois and Michigan canal proposal which you have made.

Senator PERCY. I have been impressed in the past whenever we do set aside money and really earmark it for something like the Highway Trust Fund. We really build highways. We paved over America. When we set aside funds for airport construction, we have done that, they have been built. My concern is if we go into this program that the first money is set aside and then is used, not just set aside, banked, and kept there, but we actually aggressively go out and start to build park systems in urban areas that are really desperately needed. This is the time to do it because that property is not going to get any less valuable. We ought to spend that money the year it comes in and get it spent. Do you agree that we really need that, we need to set aside the first money that comes in from the surplus disposal, set it aside for park and recreational uses that are absolutely crucial particularly in urban areas and really move aggressively ahead with that program.

Mr. TINDALL. I agree. The present depletion of our national resources on the Outer Continental Shelf, for instance, projected to yield $18 billion in fiscal year 1983 is another example. The Government projects putting back into the land less than $65 million through the Land and Water Conservation Fund. I don't know what that policy means in the long term to future generations, but I think it is a rather bankrupt policy, whether you are talking about revenue from surplus properties or revenues from other depleting activities. We have to reinvest some of our resources, and I think the business community understands that perhaps better than the Government.

Senator PERCY. This is a first call on the money. If the first money that comes in gets set aside and then is used and spent, it looks to me like we can strengthen our park system in a way that we did it just for the Highway Trust Fund when we went ahead under Eisenhower and really dedicated ourself and also not just use the other for general revenue and it must be earmarked, and this is what Secretary Weinberger said in his letter to me, I am willing to go ahead and sell this property provided it really brings down the debt because every billion dollars we bring this debt down that means about $125 million year after year we save the taxpayers.

That gets that cost of Government down permanently and billions of dollars we are talking about now really can help bring that deficit down and the debt carrying charges which are really eating away our ability to find money for funding all kinds of programs, education, health, recreation.

Mr. TINDALL. I would like to add one point. Perhaps Senator Biden addressed this. There are numerous properties in the Federal inventory which have, as their "highest and best use" public recreation, cultural, and historic preservation values. We would suggest, and the thrust of our statement includes this, that these properties continue to be transferred for these public purposes.

You really have to examine the economics, if you will, of whether you can cause the State government or local governments to buy such properties, or are you in fact relieving the Nation Government of a carrying cost for maintenance and police or whatever cost is associated. The maximizing of park and recreation opportunities requires a variety of tools—fiscal, legal, discounted sales—

whatever they might be. That is the general message we wanted to share with the committee this morning.

Senator **Percy**. Well, I can assure you all that clear legislative history is being made in this room, will be made on the floor. We will state things that will totally satisfy those of us who preserve our park system, our national forests, that we want to keep, there would be no misunderstanding as to the intent of Congress in this regard, no matter who happens to be President or Secretary of the Interior, we will make that legislative history just as binding as we can make it. Your testimony has helped us very much indeed. Thank you very much.

[The prepared statements of Mr. Tindall and Mr. Koukos follow:]

STATEMENT OF
NATIONAL RECREATION AND PARK ASSOCIATION
BEFORE
SUBCOMMITTEE ON ENERGY, NUCLEAR PROLIFERATION
AND GOVERNMENT PROCESSES
COMMITTEE ON GOVERNMENTAL AFFAIRS
U. S. SENATE
ON
S. RES. 231
MARCH 18, 1982

Mr. Chairman and members of the Subcommittee, I am Barry S. Tindall, director of Public Affairs for the National Recreation and Park Association. Accompanying me today is James Kozlowski, a public affairs specialist with the Association. Mr. Kozlowski is an attorney specializing in analysis of public policy issues. We appreciate the opportunity to express our views on S. Res. 231, especially as the proposal relates to the availability and management of surplus federal real property for public uses such as public parks and recreation. Our testimony will focus principally on federal real property administered by the General Services Administration pursuant to Section 203 (k)(2) of the Federal Property and Administrative Services Act of 1949 as amended (40 USC 484 (k)(2)) rather than lands and land transfer programs administered by the Bureau of Land Management under the Federal Land Policy and Management Act and other statutes.

The National Recreation and Park Association is a national not-for-profit organization engaged in a wide range of research, education, policy and program assessments and other functions in the area of parks and recreation. We have a membership of some 16,000 individuals, organizations and agencies which perform an array of civic, professional and technical functions to meet America's diverse recreation demands. For the most part, our members are associated with public recreation and park systems. We have an affiliate organization in each of the 50 states, the Canadian Provinces, and in Europe and Asia.

The Association applauds this inquiry into possible strategies to reduce the national debt and mitigate associated economic problems. Like every other sector of the economy, high interest rates and inflation have had a significant and adverse impact upon the development and management of public park and recreation systems. In addition, we welcome and support a continuing inventory of federal real property which not only ascertains the incidence of surplus federal real property and its fair market value, but also clearly and fully evaluates potential public and private uses in a systematic fashion. However, the resolution itself is ambiguous concerning the relationship of federal parks, forests and wildlife refuges in the inventory process. This should be clarified with a clear legislative history to indicate that units of the National Park System will not be transferred without expressed congressional action. This statement should not be construed to suggest that intergovernmental management agreements involving specific park, forest or refuge areas would not be appropriate or that intergovernmental land exchanges are not a potentially useful resource protection and management strategy.

In many instances the framework already exists within the states and localities for such a systematic approach to intergovernmental strategies. Existing land use planning tools such as the Statewide Comprehensive Outdoor Recreation Plan required by the Land and Water Conservation Fund Act and similar state and local plans must play an integral part under the present federal property disposal program and any modifications which the Congress or Administration might make. We urge this Subcommittee and the President's Property Review Board to fully consider the potential impact of an accelerated surplus federal real property disposal program on local zoning and statewide comprehensive planning efforts.

We agree with the observations of many other individuals and organizations that the current surplus property disposal system places too much discretion in the hands of the General Services Administration, with the apparent result of delaying actual transfers. One result has been fewer surplus parcels made available for alternative public uses, including public recreation and parks. In addition, these conveyances appear to take a much longer period of time than might be reasonable at a greater cost to the parties involved. Streamlining the rather arduous and sometimes arbitrary GSA disposal process should reduce federal costs for maintaining idle parcels and reduce the uncertainty which often surrounds the fate of federal surplus property administered by GSA.

Having expressed our general support for better management of federal real property assets and more efficient processes to dispose of surplus property, where appropriate, we caution against an overly simplistic assets/liability balance sheet approach to the proposed disposal program. The remainder of our statement will call to the Subcommittee's attention certain other conditions which should be addressed in a federal real property transfer program.

A Full Accounting of Long-Term Public Costs and Benefits

Apparently, one objective of S. Res. 231 is to accelerate the movement of federal real property from the public to the private sector. Based on the language of S. Res. 231, and testimony by the Administration, the accelerated sale of federal real property to the private sector creates increased revenues for the national treasury. In this context, fundamental differences between the private sector and the federal government must not be ignored, especially as these public-private ventures may ultimately result in significantly different impacts on the national treasury than implied in S. Res. 231. Federal tax law offers one example of a potentially different "bottom line."

Under the Economic Recovery Tax Act, P.L. 97-34, private land speculators, rather than the American taxpayers, may be more likely to reap the significant benefits of an accelerated federal property disposal program on certain types of surplus property. We do not make this statement as tax experts, but rather to suggest to the Subcommittee that it examine fully the relationship between the proposed disposal program and existing tax policy. As we understand it, a private developer purchasing surplus federal property during current market conditions would be able to "write off" the entire purchase price of buildings and fixtures over a period of fifteen years. Thus, in the long run, the federal government would not necessarily realize the entire purchase price paid by private interests for tracts containing such structures. In addition, the developer or speculator who purchases surplus real property at the lower rates in the currently depressed real estate market would be able to reap a substantial profit when economic conditions become more favorable. In the interim, the investment would have been subsidized by the American taxpayer through an accelerated cost recovery system. Also, the tax paid on the purchaser's profit would be subject to more liberal capital gains treatment rather than being taxed as ordinary income. The disposal program must, therefore, take into account existing market conditions and potential tax "loopholes" which may reduce the return to the federal government. Otherwise, we may find that more money is accruing to private land developers and speculators to the detriment of the national treasury. As the chairman of the subcommittee has stated: "in view of our economic situation, we simply cannot afford to give away any government property, except under the most exceptional circumstances."

Thus, in light of the potential advantages for private speculators on certain types of parcels, "giveaways" may not necessarily be limited to discounted transfers of federal surplus property to state and local governments. To avoid the scenario we generally describe above, the Congress, the Administration, and particularly the President's Property Review Board must seriously consider the impact of federal tax policy and market conditions upon federal real property sales and public gain. Additionally, private investments may not necessarily promote the highest and best use for certain types of parcels. We recommend that certain restrictions be placed in the deed of sale which ensures the highest and best use of a given parcel in concert with existing land use policies and conditions. Once private sales are evaluated in light of existing tax policy and market conditions, public benefit transfers to state and local governments for parks, recreation or other public purposes can be viewed more objectively. As we pointed out earlier, sales to private investors in a soft real estate market will not maximize the return to the national treasury. Despite the Administration's proposal to eliminate discount conveyances for public benefit uses, we would suggest that such transfers may in some cases enhance the marketability of surrounding parcels. Public benefit uses should, therefore, play an integral role in a comprehensive marketing strategy espoused by S. Res. 231.

Current Law and National Benefits

In establishing the Federal Property Review Board, the President has directed the Administrator of the General Services Administration, in consultation with the Board, to "make such real property available for its most beneficial use under such various laws of the United States affecting such property." One of these laws is P.L. 91-485 (40 USC 484(k)(2)) which allows property to be transferred to the States and to local governments for public park or public recreation purposes. Under this law, the Secretary of the Interior may sell or lease surplus real property for public park and recreation purposes. Nothing in the present law requires the Secretary to give the property away. In fixing the sale or lease value, however, the Secretary is to take into consideration any benefit which has accrued or may accrue to the United States from the use of such property for park and recreation purposes. In our view, one significant benefit which accrues to the United States includes the overall enhancement of the national recreation estate. These conveyances for public park and recreation purposes at the state and local level reduce the demand pressures placed upon existing federal facilities. Obviously the ultimate cost to the national treasury of transferring one acre of surplus federal land for park purposes is much lower than acquiring one acre for a federal park or similar facility. While both parcels provide public park and recreation opportunities, only federal acquisition and federal management carries with it the national costs of operation and maintenance in perpetuity. It is interesting to note that existing state and local parks are required to be donated, rather than acquired, when a new Federal park is authorized.

In offering surplus real property for disposal, we recommend that the program also take into account the means by which the federal government originally acquired title to the property. Many existing surplus federal properties, particularly Department of Defense installations, were originally administered by state or local governments. If not in public ownership, most parcels were, as a minimum, providing property taxes to a local treasury. Federal acquisition through condemnation proceedings oftentimes resulted in a court award which did not necessarily equal the loss of public benefits accruing to states and localities through such parcels. A property at Cape Henlopen, Delaware, presents a case in point. This land was seized by the Navy during World War II for national defense purposes. The court awarded the local government approximately $123,000 as compensation for the property. This tract has now been declared surplus by GSA. Since the site is now surrounded by Cape Henlopen State Park, GSA was in the process of transferring the land to the state for public park and recreation purposes. The Administration's current moratorium on such transfers, however, has stalled the process and potentially deprived the public of the highest and best use of this property. To demand 100% of the current fair market value to reacquire what was originally a "public benefit" property such as Cape Henlopen, seems to place an unfair burden on states and localities. In our view, many parcels taken from the states and localities for national defense purposes could and should be restored to public benefit purposes such as public parks and recreation at the original condemnation price, adjusted for inflation and reduced by the fair rental value of the property for the period of federal tenancy. In such cases, a "highest bidder" mentality, while possibly enriching the national treasury, does nothing to enhance the spirit of "New Federalism".

In general, it is our view that states and localities should have the right of first refusal to purchase any surplus federal property for public benefit purposes, including parks and recreation. The purchase price, however, should be offset by any tax subsidy which might accrue to a private purchaser through the accelerated cost recovery system on a given property. Rather than 100% of fair market value, we would argue that a discount of not less than 50% fair market value would place the public benefit purchase on a more competitive basis with private land speculators. Otherwise, very few of these tracts, which may be particularly suitable for public parks and recreation, will be acquired.

What is a "Giveaway"?

The notion that state and local governments, and the people they serve, are gleeful recipients of excess federal property must be examined carefully. Statistically, Department of the Interior reports indicate that since 1970 (the beginning of President Nixon's "Legacy of Parks" program), to the present, 884 surplus federal properties with an estimated fair market value of $381,700,000 have been transferred to state and local governments for park and recreation purposes. Jurisdictions in Illinois, including the state itself, have received 25 properties for park and recreation purposes totaling 4592.3 acres. Further information on these properties is appended to this statement. It is our understanding that those properties transferred and monitored by the Department of the Interior are in substantial compliance with the conditions required in the transfer process. The subcommittee should be aware, however, that the abolition of the Heritage Conservation and Recreation Service last year, and subsequent heavy staff reductions in "recreation" programs subsequently transferred to the National Park Service, could seriously compromise the government's ability to effectively work with state and local governments.

Has this program been a "giveaway"? In certain respects and under certain definitions the answer is clearly "yes". To suggest, however, that the program is entirely one-sided is grossly incorrect. We offer several observations: For the most part the properties in question are not the "crown jewels" of the federal domain. They are usually outmoded, undermaintained, out-of-place properties truly excess to the national government's needs. They usually cost the national government substantial resources to retain them. Thus, the more efficiently they can be disposed of for appropriate uses the more rapidly federal carrying costs can be reduced.

Another dimension of this situation involves surplus properties that should be maintained in their present form for recreational, ecological, historical, cultural, or other public values. The question then becomes what is the level of significance of the property -- national, state, or local -- and who will agree to rehabilitate, maintain and operate the facility. Reasonable people will agree that it is fiscally imprudent to retain federal property lacking in national significance or purpose. Having outlived their usefulness on the federal level, many such properties -- military forts, lighthouses and other facilities -- have become valued components of state, regional and local park systems, with a non-Federal governmental entity paying the long-term operation and maintenance costs.

State and local governments usually accept a substantial financial commitment when they apply for and receive a surplus federal property. It is, therefore, not correct to suggest that non-federal interests are getting "something for nothing". In most instances the conversion from, say, a surplus Nike missile site to a usable public recreation and park facility (or other public facility) is a costly process. Long-term operation and maintenance costs incurred by states and localities add significantly to the financial obligation in such transactions. Knowing and accepting these long-term costs indicate that the overwhelming majority of state and local park authorities are very cautious about assuming the responsibility for surplus parcels. Clearly there have been exceptions, but we suggest that they are infrequent. With economic constraints affecting all levels of government, it is unlikely that states and localities would pursue any federal property transfers not meeting an immediate or clearly foreseeable public need.

Our final point on this particular aspect of the proposal suggests that the Federal property transfer program must take a more comprehensive view of revenue generation for the national government, other governments and the economy in general. We refer specifically to the clearly demonstrated positive economic impact of public parks and recreation sites. In our preparation for this hearing we learned of several Federal surplus properties, which were ultimately transferred, that have contributed significantly to major economic investments by the private sector. These economic benefits are usually expressed through enhancement of contiguous properties. In some instances the contiguous property is surplus Federal property.

For example, the State of Pennsylvania has provided funding and scheduled development of a marina on part of the former Frankford Arsenal in Philadelphia. When completed it will be one of the largest marinas on the Delaware River. In addition to providing needed recreational opportunities for urban Philadelphia, this public benefit conveyance is expected to enhance the marketability of the remaining federal acreage in the Frankford Arsenal complex. In a similar situation, a surplus Federal property in South Miami, transferred for public recreation purposes, is the focal point and catalyst for a major urban restoration project. Most of the funding is expected from private sources.

The Land and Water Conservation Fund

During earlier testimony reference was made to the Land and Water Conservation Fund, with apparently some indication that the assignment of surplus Federal real property sale receipts to the LWCF account perhaps inhibited the transfer program. We question the impact of the Fund on the administration of the federal surplus real property program or the overall fiscal impact on the national treasury.

Under the authority of the Land and Water Conservation Fund Act, as amended, the receipts from the sale of surplus real federal property are credited to the Land and Water Conservation Fund account. From fiscal year 1965 through fiscal 1980 a total of $708,402,000 has been credited to the Fund. Fiscal 1981 and 1982 estimates would add $192,007,000 to the LWCF account. The total amount equals slightly over 12 percent of all fiscal resources credited to the LWCF account. These particular receipts remain credited to the Fund for three fiscal years, after which time they legally revert to the general revenue of the U.S. Treasury. In the appropriations process the Federal government does not distinguish between "source" of LWCF resources and ultimate recipient -- state or Federal.

Since 1967 the principal source of LWCF revenue has been a small portion of the lease and royalty revenues accruing to the United States from Outer Continental Shelf extraction activities. For fiscal 1983, the Administration projects total OCS revenues to be $18 billion. The LWCF act authorizes an appropriation of $900,000,000 annually from the fund. In identifying OCS receipts as the principal source of LWCF revenue, the Congress clearly recognized the necessity of reinvesting some value from a depleting natural resource in other natural resources with long-term public values.

The Administration's fiscal 1983 request for appropriations from LWCF for land protection purposes is $65,124,000. The total amount is requested for Federal activities; termination of State and local participation in LWCF is proposed.

The Land and Water Conservation Fund was originally conceived as a relatively stable source of revenue to acquire or otherwise protect nationally significant properties, and to serve as a catalyst for similar action by State, local and private interests. The program -- both the state and Federal components -- has perhaps an unparallelled record of accomplishment since 1965. It is extremely unfortunate -- for this and future generations -- that the Administration perceives a program like the Fund with such limited vision, especially when the program has demonstrated many of the principles espoused in the context of "New Federalism."

The issues raised by S. Res. 231 are complex and relate to numerous other public issues. Not the least of these are our national needs for a wide range of recreation experiences. We hope our views will be useful to the Subcommittee as it continues its deliberations.

We would be pleased to respond to questions.

Thank you.

APPENDIX I

FEDERAL SURPLUS PROPERTY TRANSFERS FOR PUBLIC PARK AND RECREATION PURPOSES IN ILLINOIS

RECIPIENT	COUNTY	TITLE	ACRES	FEDERAL ACQUISITION COST	ESTIMATED MARKET VALUE	DATE DEEDED
VILLAGE OF RANTOUL (REVERTED 11/5/78)	CHAMPAIGN	CHANUTE RADIO BEACON ANNEX	1.00	1,500	25	06/11/75
ARLINGTON HEIGHTS PARK DISTRICT	COOK	NORAD CENTER	12.00	50,866	370,000	08/07/73
ARLINGTON HEIGHTS PARK DISTRICT	COOK	NIKE SITE C-80-81	13.00	0*	440	02/11/64
ARLINGTON HEIGHTS PARK DISTRICT	COOK	US ARMY RESERVE CENTER	26.00	711,289	750,000	10/26/76
ARLINGTON HEIGHTS PARK DISTRICT	COOK	NAVAL HOUSING SITE	52.00	105,613	2,100,000	10/09/72
COOK COUNTY FOREST PRESERVE DISTRICT	COOK	NIKE SITE C-44	43.00	1	210,000	06/30/65
CITY OF ELGIN	COOK	US POST OFFICE	.40	0*	1,170	12/06/67
NORTHBROOK PARK DISTRICT	COOK	COAST GUARD STATION	4.39	1,300	1	07/24/78
FOREST PRESERVE DIST COOK COUNTY	COOK	COAST GUARD STATION	19.34	5,700	1	07/24/78
ADDISON PARK DISTRICT	DU PAGE	CONTROL AREA NIKE SITE C-72	6.95	227,500	240,000	06/24/80
DUPAGE COUNTY FOREST PRESERVE DIST	DU PAGE	ARGONNE NATIONAL LABORATORY	1992.00	2,184,600	9,925,000	06/15/73
NAPERVILLE PARK DISTRICT	DU PAGE	NIKE SITE C-70	14.22	18,486	75,000	02/07/75
FOSS PARK DISTRICT	LAKE	US NAVAL BASE PARCEL-D TRACT-3	1.00	1,000	14,000	05/16/75
CITY OF HIGHWOOD	LAKE	FORT SHERIDIAN	2.00	4,840	60,000	11/16/73
CITY OF LAKE FOREST	LAKE	FORT SHERIDAN	12.00	22,625	30,000	11/16/73
CITY OF MOUNT PULASKI	LOGAN	GRAIN STORAGE BIN SITE NO 199	1.00	2,000	10,000	02/07/75
CITY OF BUSHNELL	MCDONOUGH	BUSHNELL BIN SITE	4.00	3,150	10,000	02/12/75
CITY OF MACON	MACON	MACON GRAIN BIN SITE	3.00	3,500	5,500	08/23/72
DECATUR PARK DISTRICT	MACON	VA HOSPITAL SITE	19.00	0*	66,500	11/21/55
GRANITE CITY PARK DISTRICT	MADISON	US POST OFFICE	1.00	0*	45,600	01/14/66
CITY OF HENRY	MARSHALL	HENRY LOCK SITE	4.00	0*	6	05/09/56
VILLAGE OF ELWOOD	WILL	US ARMY TRAINING AREA	125.00	27,000	300,000	08/09/74
STATE OF ILLINOIS	WILL	JOLIET ARSENAL	1922.00	0*	5,740	11/03/65
NEW LENOX COMMUNITY PARK DISTRICT	WILL	SPENCER GRAIN SITE	2.00	4,000	15,000	03/10/76
ROCKFORD PARK DISTRICT	WINNEBAGO	CAMP GRANT RIFLE RANGE	312.00	0*	320	08/01/56

* "0" Acquisition cost unknown or cost free transfer.

ILLINOIS ASSOCIATION OF PARK DISTRICTS
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STATEMENT OF
THE ILLINOIS ASSOCIATION OF PARK DISTRICTS

BEFORE THE
UNITED STATES SENATE
GOVERNMENTAL AFFAIRS COMMITTEE

Dirksen Bldg., Room 3110
March 18, 1982, 9:00 a.m.

Good Morning!

Mr. Chairman, Members of the Committee: My name is Peter J. Koukos. I am a citizen of Highland Park, Illinois, serving as a non-compensated, elected commissioner to the Park District of Highland Park and the elected President of the Illinois Association of Park Districts. Dr. Ted Flickinger, Executive Director of the Illinois Association of Park Districts is accompanying me today to support the Association's testimony.

The Illinois Association of Park Districts was organized in 1928. However the park district system in Illinois has existed for over 100 years. As President of the Illinois Association I represent nearly 2,000 elected citizens serving on park, forest preserve and conservation district boards.

Our testimony is directed to the proposal to dispense of federal surplus properties currently under the jurisdiction of the Department of Defense.

We recommend:

(1) Establishing a commission to overlook a complete inventory of all federal surplus properties. This commission would be similar but much broader than what existed as the Outdoor Recreation Resources Review Commission established in 1958 by President Dwight Eisenhower with recommendations completed during President Kennedy's administration.

(2) Development of a conservation fund with proceeds from the sale of federal surplus properties designated for the purchase of open space and park lands near urban centers.

We are here to support the sale of federal surplus property only after a thorough inventory is completed to determine its economical and recreational values.

We would never argue against a sound economy. However, we believe any proposal to sell federal surplus lands to reduce the national deficit alone would be a short range decision to long range problems.

We do not support dispensing with any federal park and forest lands. The federal park and recreation system must stay intact. However, it must be recognized that eighty percent (80%) of the federal park and recreation areas are located where only twenty percent (20%) of the population live. A system of resource allocation and utilization to supply our citizens with recreational areas close to home is critical for current and future populations. With the moratorium on the Land, Water & Conservation Funds and the existence of a faltering urban parks purchase program, we will see our cities and suburbs becoming more and more root-bound, infertile places for people to work and live. What kind of commitment have we made to our industrialized cities who need assistance?

We can no longer view recreational areas in our urban centers as a luxury and only a local/state government concern. Public parks and recreational areas are essential to human life.

New findings of a study conducted by Doyle Dane Birnbach, Inc., the eleventh largest U.S. advertising agency, which represents such clients as Polaroid, Volkswagen, IBM, Mobil and Clairol on the "middle generation" indicate there are 75.5 million consumers between the ages of 25 and 49 years accounting for nearly fifty-five percent (55%) of the income produced in our society. Despite their economic concerns, this age group has a growing interest in recreation. Recreation was described by sixty-seven percent (67%) as "a necessity rather than a luxury." Approximately sixty percent (60%) agreed that "vacation is not time to cut corners to save money."

We also know that recreation is an essential part of our economy. Secretary James Watt in his address to delegates attending the National

Recreation & Park Congress this past October in Minneapolis, Minnesota cited several very significant recent findings of the U.S. News & World Report showing that personal expenditures for recreational activities have soared 321% in 16 years to a $244 billion industry. Even after discounting the effects of inflation, this growth represents a 47% increase in that sixteen year period. Secretary Watt emphasized that " ... Clearly, there is enormous public demand for recreation ... This administration will honor the commitments made for parks in urban areas of America, but we do not want to continue the trend toward providing federally owned and operated parks to meet the recreational needs of local areas."

The economics of recreation touches almost every community in the United States. There are over 5,000,000 jobs in manufacturing, retailing and service industries in this country that are dependent upon recreation. These figures do not include the thousands of employees in the public park and recreation sector. The recreation products depend heavily on the availability of public recreational areas.

In nearly every state recreation and tourism are identified as one of the three largest industries. The business community certainly recognizes the important role of recreation and open spaces in making cities an attractive place to live and do business.

Local governments will spend more than $4 billion for the operation and maintenance of park and recreation areas in this current fiscal year. This money comes from local revenues, not federal or state contributions. A federal commitment to assisting local governments in acquiring park and recreation areas in and around our urban centers is vital. To do less is abdicating our responsibilities to develop realistic plans for the future of our society and our public recreation and parks heritage.

In essence, we need to bring parks to the people since a large percentage of our population lives in urban areas and has very little prospects of visiting most of our national parks or even our state parks.

The sale of federal surplus properties and the creation of a conservation fund designated to purchasing open spaces and recreational areas in urban environments will develop as Secretary Watt has declared, a "... responsive local, state and federal public recreation system for those things they (the American people) cannot provide or purchase themselves."

This concludes our prepared statement. A copy of this testimony is included in the portfolio we have made available to you. We will be happy to respond to any questions.

Senator **Percy**. Our next panel will be Mr. Roy Fair, chairman of Realtor's Legislative Committee and Mr. Thomas C. Franks, director, Environmental and Energy Affairs, National Association of Realtors.

Gentlemen, we want to welcome you this morning. We are especially pleased to have a realty expert from Illinois on the panel.

A few weeks ago I chaired a hearing at which we heard horror story after horror story about the way the Federal Government, especially the GSA, has gone about selling Government property. I hope that Senator Cohen is able to come back because he has a question to put on a situation he has come across. One investigation found that it took the GSA an average of 7 years to sell Government property. Seven years. The taxpayers of this country have lost millions of dollars because of the incredible delays we heard about. My own staff took a look at surplus Government properties in the Washington area and were shocked to find one property sitting right on top of a metro station that had been up for sale for 3 years. In spite of a booming real estate market in this area in the late 1970's, and the obvious desirability of this property, the GSA was able to attract only two bids on the property. We simply cannot afford these practices any longer. We must look to the private sector for guidance. This is why I look forward to hearing your testimony.

I might say that the concept of having you here came to me when I went over to the Department of Commerce and addressed about 500 collection agency members to address them on the debt collection bill which this committee is reporting out which I authored some years ago without too much encouragement at that time, now we have full encouragement from the administration. We are really going to go out in the collection of debt to see if we can't get out of arrears of some $41 billion owed to the Federal Government. When I looked at the intensity, the knowledge, the experience of debt collectors around the country who don't hold back from collecting bills from anyone else but the Federal Government, I think there would be more respect than debts owed to the Federal Government and I have the same hope that a great industry can be put to work on the same kind of a problem in principle. What difference does it make who owns title of that property? It is property that needs to be moved, and is owed. That is what your business has been for years, you have been successful. We would like to hear what you feel as to what role the private sector and your industry can play with the Federal Government in moving property, building land in less time than 7 years.

TESTIMONY OF ROY FAIR, CHAIRMAN, REALTOR'S LEGISLATIVE COMMITTEE, NATIONAL ASSOCIATION OF REALTORS, ACCOMPANIED BY THOMAS C. FRANKS, DIRECTOR, ENVIRONMENTAL AND ENERGY AFFAIRS

Mr. **Fair**. Thank you, Mr. Chairman. We hope it won't take that long. I do want to express to you that the National Association of Realtors welcomes this opportunity to testify in support of Senate Resolution 231. The realtors board of directors has endorsed a concept of a Federal property disposal program and we now urge adoption of your Senate resolution 231. We have five major reasons for supporting this program that I would like to state. Our written testimony goes into them in detail but I will hit them very quickly.

The No. 1 reason for our support is that an aggressive Federal property disposal program will reduce the Federal debt. Holding surplus property is like having an oil well and a resource that is capped. We are not taking advantage of this resource, and we think that should be done.

No. 2: A Federal property disposal program will increase private property ownership opportunities.

No. 3: The highest and best use of property will be realized in conveyance of unused and underutilized Federal property for private ownership.

No. 4: Selling Federal land in some areas will allow townsite expansion where Federal lands encroach on the town limits.

The fifth reason is the local tax base will be increased as excess Federal property is conveyed to private ownership.

Mr. Chairman, under the existing General Services Administration program, the private sector is given the last priority for purchasing these surplus properties, and I think your 7-year example may fit in here.

The National Association of Realtors also endorses the following actions to enhance the property disposal program: Adoption of S. Res. 231, of course. We also endorse the establishment of the Federal Property Review Board to expedite the disposal process. We support the adoption of regulations to permanently prohibit no-cost conveyances of real estate between Federal agencies and prohibit donation and discount sales to any public or private party.

The National Association of Realtors stands ready to assist Congress and the administration in implementing these ideas.

Some of the possible actions that the association could take would be to utilize our 1,800 local boards of realtors and 50 State associations as well as our specialized institutes and societies to identify parcels of unused and underutilized Federal properties nationwide that could be attractive parcels for disposal.

We could establish a Realtor's Federal Property Advisory Committee which could formulate policy and procedural recommendations for an enhancement disposal program.

We also recommend that the following points be considered in enhancing the Federal property disposal program:

No. 1: Insure the full participation of the private sector. The more effective way is through the traditional willing buyers, willing sellers, free market method of transferring properties. The private sector has established means of marketing and transferring properties. This resource can be fully utilized in a large-scale disposal program.

No. 2: Disposal must be conducted in an orderly manner.

No. 3: Private accessibility to the disposal programs must be assured.

No. 4: Encourage investment in the surplus property.

No. 5: Establish a limited land acquisition fund to acquire some environmentally sensitive areas.

Mr. Chairman, in conclusion, we would like to emphasize that this program is an innovative, feasible, and responsible Government program. Maybe it is so reasonable and makes so much sense you may have problems getting it through Congress. We are, as realtors, committed to the concept embodied in your resolution and will dedicate all of our available resources to the implementation of the policy. We thank you for the opportunity and we will be happy to answer any questions.

Senator **Percy**. I thank you very much indeed. I have been very, very concerned about the low levels of economic activity of realtors. This thing has a ripple effect in the economy, homes not being constructed. If property is not moving, realtors are not busy, you don't have a lot of things happening. Houses not being sold means hard goods and soft goods are not being sold; it runs all across the economy. What we are working on so hard is to do everything conceivable to get interest costs down and we have testimony by most eminent economists that debt collection and asset management, disposal of these assets, bringing in cash, liquidity of the Federal Government, reducing its need to have a $100 billion deficit will do more to bring interest cost down than anything else. I keep thinking of the number of young people today who under normal circumstances any time in the last 40 years, my whole lifetime, would be seriously thinking, planning setting aside to build a house, buy a house. It is out of sight now, and I just saw an article on Japan that young people in Japan are changing the whole mode of life, inflation is so high, prices are so high that young people simply are not planning their own homes and that is going to change a lot of things. That changed their attitude toward community, toward school.

As you say, looking as Americans at the broadest aspects of this, getting interest cost down, getting back to where we can really have young couples, particularly planning on buying into their own home, being a part of the community, being a part of that school system is going to do a great deal of this country in addition to keeping thousands of businesses, and businesses will be failing if we don't get interest costs down. It is the high order of priority.

Mr. **Fair**. Absolutely, interest costs have to come down. With this program, we think interest rates can come down. Once this program is implemented it will give the public the highest and best use of surplus Federal property and allow the Government to recover its fair market value. If you are a seller in today's marketplace, you have to take the market conditions into consideration, and we recommend this disposal be done on the basis that the public could buy.

I think that if interest rates for financing Federal property sales was at, say, 16½ percent, the sales would probably be a disaster. But if a program was worked out so that the financing could be attached to the sale of each property, like most sellers are doing—and I think the Federal Government would be in a position to do this—the disposal program would be successful.

Senator **Percy**. Some people maintain that there just may not be a market for some of these Federal properties that can be declared surplus because they simply have no foreseeable use at any time in the future to by the Federal Government, but what is your own experience in looking at properties, setting a fair market value on it and getting out and selling it aggressively, advertising it, promoting it? I have just come from Vale, Colo., where it doesn't seem to me there is a drop in the market value. The whole State of Colorado seems in pretty good economic straits compared to other States I have been in. Property values are very high, realtors are doing well out there.

Aren't the properties that we can select where there is a real market and get these moved and moved promptly.

Mr. FAIR. There are marketing programs that would be attractive and this could be probably best done by the private sector. In the marketing program, if you have people in the various areas where the private sector is spending their advertising dollars to promote this, that generates interest and more people become interested, because someone purchased the parcel. They tell someone else about it and they in turn will want to purchase a parcel.

I can see a tremendous market being built by the private sector marketing system already in place.

Senator PERCY. You are familiar with Fort DeRussey and the 73 acres of property along Waikiki Beach. We now have the go-ahead on this. Let's take that as an example. It would be turned over to GSA to sell, I don't known how long it has been Waikiki land, how much they have to learn about it, what they have to do to get ready for it.

Let's say that is one alternative DOD would have. I think they are going to be leaning in the direction from taking guidance from Congress on this. This idea came from here and we certainly want to work cooperatively. I have never had more cooperation with the executive branch of government than I have had in this concept. I want to work closely with them. I would like to also present the alternative of when the private sector come in it. How would we go about out in Honolulu bringing the private sector in, you have 73 acres, you have a plat rate, how do you go about getting a realtor? Can the Government just go and say, "We take bids from realtors out here from what the commission would be." I think as long as you get a commission there, they are going to have the incentive for top price. If the more the price, the better the commission, it is based on a percentage basis, how should the Government go about bringing the private sector in doing this in a fair way, in a just way, but a way that will benefit the Federal Treasury the most?

Mr. FAIR. I think we could look at the Hilton as an example. If the Hilton wanted to sell a hotel and some land surrounding it that could be used for development, they would approach it in a way of going to whom they thought would do the best job of selling it, probably list that property with that organization and give them a certain amount of time to come up with a buyer. That organization would probably cooperate with other organizations across the whole world to look for buyers.

We have a cooperative system and I think that could be worked in very nicely. I do believe that the current bidding system and some of the regulations and restrictions that now regulate disposing of the properties really keep some of the choice buyers from participating.

I think you only have a limited number of perhaps sophisticated buyers that understand the current GSA process and who get involved. Whereas if it were a common marketplace type of marketing program, it would be listed the same as any other hotel or other parcel of land for sale.

Senator PERCY. In your role, Mr. Fair, as chairman of the Illinois Realtors Association, and president of Fair & Company, Realtors, and representing the National Association of Realtors, would you like to ask the national association to develop the best recommended procedure to maximize the return to the Federal Government to put competition into this and to accelerate the speed with which we operate so that decisions can be made and yet there would be no criticism once that price came in that there hasn't been marketing forces at work.

Mr. FAIR. Well, we would be delighted to. As a matter of fact, we have done some research in this direction.

Senator PERCY. How long would you need for that analysis?

Mr. FAIR. We have meetings coming up at the end of this month. I would say by the first week in April.

Senator PERCY. The final question to you or Mr. Franks, if DOD said tomorrow, we are going to put so many acres up on Waikiki up for sale, how long do you suppose that it would take to move that at top market price?

Mr. FAIR. Not to be evasive, because we deal with people that are selling property everyday, I have to say that all factors would have to be taken into consideration. For instance, the size of the parcel, the amount of the price, the type of financing that would be involved, and all other factors in order to make the determination of the time.

If you get more than market price, it is going to take longer. If you get slightly less than market price, you can sell it much quicker. If you supply the type of financing that the marketplace will buy, and that is not 16½ percent, if you would supply an interest rate of 11 or 12 percent, it would sell much quicker than if you required an all cash transaction.

I am not being evasive, it is simply that the marketplace is a complex issue and it varies from area to area.

Senator PERCY. Let's say we are satisfied to get fair market value at financing, going financing terms, what are we talking about in the way of time?

Mr. FAIR. With a parcel of that magnitude you are probably talking about 6 months to a year.

Senator PERCY. Not 7 years. This is one of the pieces of property that we can count, then fiscal year starts October 1—President Reagan has put a couple of billion dollars in their return, this is one of those pieces of property, roughly—I wouldn't want to put a value, but certainly a quarter of a billion dollars is not out of the ball park. That is one of the pieces of property within the next fiscal year we can count putting on there. I don't think there is enough of you that we don't have to worry about anything encroaching on public parks. We have so much available of this type of land, land we have shown all over Washington that is available that no one from an environmental standpoint will stand in the way at all, to give high priority of those items.

Roughly, what do you think a competitive percentage would be to pay the private sector for selling that?

Mr. **Fair**. That percentage should be negotiated in each area because of the customs of that area.

Senator **Percy**. Can you give me the ranges of what you think and just say roughly a quarter of a billion dollars is what we might get for that property, what sort of percentage do you think the Government would have to pay?

Mr. **Fair**. I could give you a range you could perhaps negotiate a flat fee.

Senator **Percy**. Taking into account if it is too high GSA can sell it. Under pressure this committee has oversight over GSA and I can assure, on that piece of property, Chuck Percy will be sitting on top of it. I think they can probably set up to sell that. The rate has to be a competitive rate. But if it is too high, GSA has the facilities to do that and we criticize them on occasion, but my relationship with GSA has been very good for the most part. They are dedicated and devoted. But sometimes we fault them. In this case I think we can do a pretty good job.

What kind of rate do we have to pay to the private sector?

Mr. **Fair**. I would say, and I say this in all sincerity, that it would cost less to sell through the private sector than it would through the process that would have to be put in place. I could give you a percentage if it were my company that I would be willing to accept a parcel for. I just can't tell you what a firm that would handle that type of property would charge. I don't know.

Senator **Percy**. Mr. Fair, you are a good negotiator, you don't show your hand, you keep your cards close to your hand, but I hope you live up to your name, you will be fair with the Federal Government. I know that. And competition, those forces are available, we can easily arrive at what is recognized to be a fair price. Whether it goes to fair company or not, I am not sure, but fair price we can work at and I want to assure you that for one Senator, I want to encourage, and I am encouraged by what David Stockman said to us, that they seriously are now looking at not only the debt collection processes that are all—the machinery is all there, but also at the real estate industry to move properties that we simply know we have built a huge bureaucracy. We want to get you back fully employed, and we want to get those interest rates down.

This would be one way of doing it.

Thank you very much.

[Mr. Fair's prepared statement follows:]

PREPARED STATEMENT OF ROY FAIR

Mr. Chairman, my name is Roy Fair, and I am a REALTOR® from Aurora, Illinois. I am presently Chairman of the REALTORS® Legislative Committee and past President of the Illinois Association of REALTORS®. I am here today representing nearly 700,000 members of the NATIONAL ASSOCIATION OF REALTORS®. Accompanying me today is Thomas C. Franks, Director of Environmental and Energy Affairs of our Government Affairs Division.

I. INTRODUCTION

The NATIONAL ASSOCIATION OF REALTORS® welcomes this opportunity to testify in support of Senate Resolution 231. We are enthused to see this committee consider legislation directing federal government agencies to inventory their real property assets, estimate the approximate value of each asset, and identify those properties which should be candidates for disposal.

Mr. Chairman, the REALTORS® Legislative Committee, the Association's Board of Directors, and our Executive Committee have endorsed the concept of an enhanced federal property disposal program and we now urge adoption of your resolution. We are also urging the House of Representatives to expeditiously adopt its companion resolution, House Resolution 265.

While the National Association supports your efforts to reduce federal indebtedness through the sale of surplus federal property, our concerns have been perhaps most succinctly stated in a letter to you, Mr. Chairman, from the President of the Illinois Association of REALTORS®. After reiterating your concern for the state of our economy and its effect on the housing industry, Illinois REALTOR® President Leo Sheridan stated, "We all realize that the country cannot cope with both the deficit budgets and continuing inflation, caused by Government spending more than it receives....The idea regarding the sale of property by the federal government is the most straight forward program for reducing the debt...that I know of and I would like to commend you for your actions along that line."

II. REASONS FOR REALTOR® SUPPORT OF FEDERAL PROPERTY DISPOSAL

Senate Resolution 231 introduces ambitious, enterprising, and responsible public policy which is unprecedented in scope. The NATIONAL ASSOCIATION OF REALTORS® feels this type of public policy is long overdue. We have been made aware through the deliberations of this committee of revenue the federal government has lost because of poor property management practices. Our interests in this matter are profound, and we consider the establishment of an enhanced federal property disposal program to be one of our major issues of concern. We have five major reasons for supporting this program:

(1) An aggressive federal property disposal program will help reduce the federal debt. The national debt has grown at an accelerated rate over the past five years. Since 1974 the debt has doubled from $500 billion to more than $1 trillion last year. (See Figure 1). This debt has forced the government into the financial markets where federal credit demands have helped drive interest rates to unprecedented levels. These interest rates are closing small businesses, causing unemployment, stifling investment, and depressing entire industries -- including the real estate industry. With continued high deficits projected for the future, we see little relief for high interest rates. The federal government must further reduce outlays and generate revenue to reduce the deficit. One of the most responsible means of generating revenue is through the sale of excess and surplus federal real property.

The Office of Management and Budget conservatively estimates that an enhanced federal property disposal program will generate $1.2 billion in Treasury receipts for FY 1983 and $4 billion for each successive year for the next five years. While the estimated $17 billion in receipts will not provide a panacea for all our deficit ills, it provides one essential means of reducing federal indebtedness while at the same time setting a necessary precedent in this area. Our Federal government cannot afford to neglect this and other responsible means of generating revenue.

(2) The Federal property disposal program will increase private property ownership opportunities. Since the founding of our republic, our nation has placed special importance on ensuring property ownership opportunities for Americans. The NATIONAL ASSOCIATION OF REALTORS® feels property ownership is an essential element in maintaining the stability of our democracy. President Reagan recently stated, "Our Founding Fathers clearly understood that freedom is indivisible and that the right to private property is essential to the establishment and maintenance of all our other precious liberties." The federal property disposal program is wise public policy to encourage private ownership of property.

(3) The highest and best use of property will be realized in conveyance of unused and underutilized federal property to private ownership. The federal government has allowed many of its real property assets to lie idle. This committee has already received testimony about countless pieces of property which have been mismanaged, resulting in excessive carrying costs which are paid by the American taxpayer. The federal government has few incentives to assess the value of unused or underutilized property it holds and there are virtually no incentives for federal agencies to dispose of property once it has been determined excess or surplus. A private party could not afford to conduct business in this manner. Conveying property to the private sector will ensure the highest and best use of the property where economic survival demands highest and best use of every asset.

(4) Selling federal land in some areas will allow townsite expansion where federal lands encroach on town limits. This is a problem for both urban and rural communities and is more acute in the western states. Last year when the Department of the Interior requested suggestions of public tracts of land which should be conveyed to local governments, 400 communities responded citing 700,000 acres of public land which are prohibiting growth. Some towns are encircled by federal land, which prevents housing and business expansion and drives up costs of the existing housing and business stock. The federal property disposal program should identify areas experiencing this expansion problem and encourage land sales to remedy it.

(5) Local tax bases will be increased as excess federal property is conveyed to private ownership. The federal government is exempt from paying state and local taxes on its real property holdings. Congress has authorized a patchwork of compensation programs to offset tax liability for the federal government. This liability is a disguised carrying cost which adds to the financial burden of the federal government holding excess and surplus property. As state and local governments are asked to assume more responsibility under the "New Federalism," they can better fund their activities with the increased tax base which the sale of federal property will provide. Once this property is conveyed to private ownership, we estimate that the property tax base could be increased by over $300 million for the first year and total nearly $2 billion over five years. However, this is a conservative estimate based only on the sale of GSA real property.

III. The State of the Federal Estate

Mr. Chairman, as you well know, the federal government maintains an inventory of its real property holdings but has no idea of their assessed value. The United States government is the largest property owner in this country, holding approximately 760 million acres of land, or one-third of the nation's entire land area. (See Figure 2).

Virtually every agency of the federal government owns and manages real property -- everything from forests and parks to homes, hospitals, schools and parking lots. As of fiscal year 1979, the government owned 24,520 installations and 405,147 buildings consisting of 2.65 billion square feet of floor space.

Federal real property is categorized as either acquired property that has actually been purchased or public domain land, which is land owned but never purchased by the United States. Public domain land constitutes approximately 92% of the federal estate. The remaining acquired property is inventoried annually by the General Services Administration (GSA). GSA reports the holding cost of federal property as the price paid at the time of purchase, not by assessed market value. In fiscal year 1979, GSA reported federal property holdings of $104.9 billion. The Advisory Commission on Intergovernmental Relations estimated the market value, however, at $280 billion, while the Interagency Advisory Committee on Federal Consolidated Financial Statements added inflation factors and estimated the real property asset value at $316 billion. Today, this holding could be conservatively estimated to be well over $400 billion. Again, these figures do not include public domain lands and property held in federal trust, nor do they include parks and historic sites, forests and wildlife preserves, reclamation and water projects, grazing lands, roads and bridges, and monuments and memorials.

IV. Current Property Disposal Programs

As stated, GSA inventories federal property and has been doing so for the past 26 years. GSA is authorized to dispose of excess and surplus property as it is reported by participating federal agencies. Although some government agencies retain disposal authority for specific purposes, the GSA program is the largest existing program. Generally GSA is responsible only for acquired lands and has no jurisdiction over public domain lands, national parks, and national forest lands.

Under the Federal Property Act, participating federal agencies report excess property to GSA which then makes it available to other government agencies. Previously, conveyance to another agency was free. However, the Reagan Administration proposes that federal agencies pay current market value for the property to the excessing agency. This will prevent agencies from acquiring property which is not essential to its operation. In fiscal year 1980, approximately $23.6 million worth of property changed hands between agencies at no cost.

If no federal agency wants the excessed property, the General Services Administration designates it as surplus and thus eligible for conveyance to non-federal entities. State and local governments and certain non-profit organizations are given first priority for obtaining surplus property. If the property is to be used for public benefit, it can be sold at a discount rate or donated. However, the Reagan Administration also proposes to terminate this practice except for property to be used as a correctional facility. In fiscal year 1980, surplus property worth $37 million was donated or sold at a discounted rate for parks, airports, wildlife refuges, and historic, health, and education projects.

Under the existing program, the private sector is given last priority for purchasing surplus property. These transactions are made through negotiated sales or bidding. The government does not employ the marketing techniques of the private sector nor offer feasible financing arrangements. Private transactions can take more than two years with the current disposal program and are further complicated by the requirement that Congress review the sale of property valued at over $1,000. The Reagan Administration proposes to increase this review threshold to $500,000. In fiscal year 1980, approximately $82.8 million worth of surplus property was sold. Real property transactions totaled $143.4 million for FY 1980, despite the fact that even under GSA's below-market valuation, $1.7 billion in property was identified as excess or surplus.

The General Services Administration experiences countless difficulties in disposing of excess and surplus property. Based on our research and a study done by the Government Accounting Office, the reasons for these difficulties include:

(1) Lack of timely administrative processing due to lengthy agency or state studies, errors in reporting excess property, and disagreement between possible users as to what constitutes the best use of a property;

(2) Legal delays;

(3) Congressional interest involved when a member of Congress intercedes in the disposal process on behalf of constituents; and

(4) Restrictions placed on the property by the agency excessing property.

Mr. Chairman, we believe many of these problems will be solved with the changes in the disposal process proposed by the Administration and with the adoption of your Senate Resolution 231 and House Resolution 265.

V. Proposals to Enhance the Federal Property Disposal Program

The NATIONAL ASSOCIATION OF REALTORS® wholeheartedly endorses your resolution, Mr. Chairman, and the administrative actions taken by the Reagan Administration. Through the adoption of this legislation and the implementation of new disposal regulations the federal government will be fairly compensated for its disposed property and return a sound business practice to managing federal real property assets.

Specifically we support the following actions:

- Adoption of Senate Resolution 231 to express the sense of the Senate in the management of property assets and request recommendations for statutory changes to streamline the current disposal program;
- Establishment of the Federal Property Review Board as called for in Executive Order 12348 to expedite the disposal process, administer an enhanced disposal program, and develop acquisition, utilization, and disposal policy;

- Promulgating and enforcing regulations to permanently prohibit no-cost conveyance of real property between agencies, and prohibit donation and discount sales to any public or private party.

VI. REALTOR® ACTIONS TO FURTHER FEDERAL PROPERTY DISPOSAL PROGRAM

The NATIONAL ASSOCIATION OF REALTORS® stands ready to assist Congress and the Administration in implementing a more enterprising federal property disposal program. We have already met with key Administration officials, as well as congressional proponents who have indicated our assistance could be useful in this endeavor. Therefore, our Association is currently evaluating areas where our membership can be of service in this effort. Possible Association actions include:

- Utilizing our 1,800 local boards of REALTORS® and 50 state associations, as well as our specialized Institutes and Societies, we could identify parcels of unused and underutilized federal property nationwide that would be attractive for disposal.

- We are also contemplating establishment of a REALTOR® Federal Property Advisory Committee which will formulate policy and procedural recommendations for an enhanced disposal program. This Advisory Committee would bring together some of the best real estate expertise available in such areas as marketing, financing, appraisal, and brokerage.

VII. RECOMMENDATIONS

In addition to the steps being taken by Congress and the Administration, the NATIONAL ASSOCIATION OF REALTORS® recommends that the following points be considered in enhancing the federal property disposal program.

(1) Ensure the full participation of the private sector. The most effective and equitable means of disposing of excess and surplus property is through the traditional willing buyer/willing seller free market method of transferring property. Equitable property disposition can best be administered by local authorities and parties who are most familar with the property involved. The private sector has established means of marketing and transferring property. This resource should be fully utilized in a large-scale disposal program. GSA currently uses private appraisers to evaluate the market value of certain properties, and this practice should be expanded to include all functions of transacting real estate sales.

(2) Disposal must be conducted in an orderly manner. In addition to protecting the interests of the government when selling surplus property, government agencies must also exercise proper care to ensure the viability of local real estate markets. All local market factors must be taken into account in order to protect both government and private interests inconveying property and to avoid any economic dislocation.

(3) Private accessibility to disposal programs must be assured. One of the greatest deficiencies of existing disposal programs is the limited access of private parties. Most excess and surplus properties are simply not made available for private purchase. Conveying property to private parties will allow the government to recover the cost of surplus property and provide for the highest and best use of the property. Private parties should be allowed more ready access to surplus federal property rather than denied eligibility until all other disposal alternatives have been exhausted.

(4) Encourage investment in surplus property. The impediments to investing in the current program must be minimized. Administrative processing time is inordinately lengthy and discourages investment. Congressional intervention

in individual property sales must be restricted. Financing terms must be more realistic to allow purchasing opportunities for the greatest number of potential buyers. Legislative and administrative restrictions must be pared. For example, the Bureau of Land Management must currently satisfy the requirements of 18 statutes, orders, and regulations before disposing of a tract of land.

(5) Establish a limited land acquisition trust fund. While the majority of revenue generated by the disposal program should be dedicated to retiring the national debt, a substantial portion could also be earmarked for acquiring authorized public land. Presently, there is a 3 million acre backlog of federally authorized but unacquired lands worth an estimated value of $3 billion. The government has been negligent in providing just compensation for this private property, which has resulted in economic hardship for current owners and has clouded private property titles. This gross oversight must be addressed.

VIII. CONCLUSION

In conclusion, Mr. Chairman, I would like to emphasize that an enhanced federal property disposal program is an innovative, feasible, and responsible government program. Selling government land to generate revenue is not a new concept to the United States Government. It is as old as the republic, and the NATIONAL ASSOCIATION OF REALTORS® appeals for our government's return to this fiscally sound and responsible public policy. Federal agencies have the capability to engage in a more enterprising disposal program and a large-scale program necessitates only the coordination of existing resources and a real commitment.

Mr. Chairman, we are committed to the concept embodied in your resolution and will dedicate all of our available resources to implement this policy. Thank you for the opportunity to testify today. I will be happy to answer any questions.

FIGURE 1

TOTAL FEDERAL DEBT OUTSTANDING
MONTHLY, 1968 TO DATE

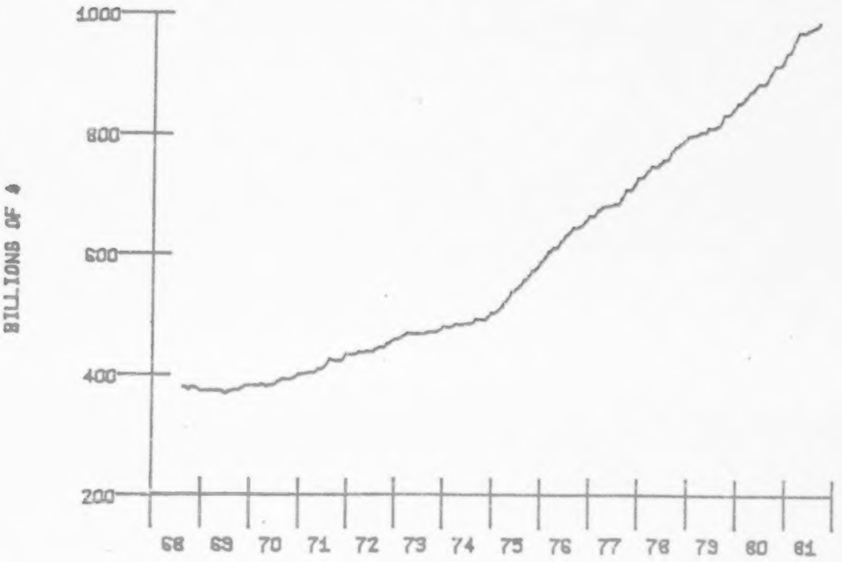


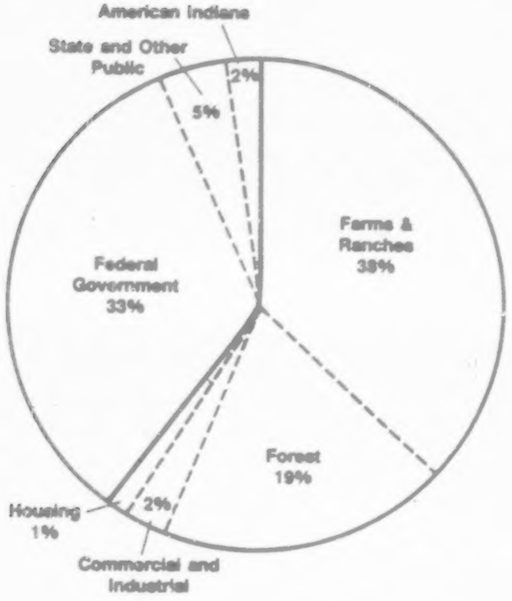
Figure 1

Source: NATIONAL ASSOCIATION OF REALTORS®

FIGURE 2

UNITED STATES LANDOWNERSHIP & MAJOR USES

(Percentage Distribution)



Source: NATIONAL ASSOCIATION OF REALTORS®

Senator PERCY. Our next panel will be Dusty Zaunbrecher of the National Wildlife Federation; Maitland Sharpe of the Izaak Walton League; Debbie Sease of the Sierra Club; Terry Sopher of the Wilderness Society; and Alison Horton of the National Audubon Society.

Each one of those great organizations can take an hour, I know, to testify. It is almost an insult to ask you to summarize in 4 or 5 minutes. But your full testimony will incorporated in the record, and we will have a little time for questions. But we are deeply grateful for what your organizations have done to make this a better country, to enrich the quality of life in America and for the fine assistance and support you have been offering to us in pointing out signals that we must take into account and will take into account. And that is why I said when I introduced the legislation as being orbited the best we can do at that time, but not in cement at all. We want to take your viewpoints into account and we want your support and backing. Your objectives are our objectives. I have been associated with many of you. And I know the heads of your organizations and have great respect for them. The close relationship that we have had has also covered our staff and I want to express on their behalf an appreciation for the very helpful comments that you have made already to us in defining the many points of agreement that we share.

All too often, environmental issues are cast in terms of strict tradeoffs between economic benefit and environmental protection. That certainly is not the case here—there is much middle ground where I think we can all agree about what makes sense for the economy while presenting no serious environmental dangers. Mr. Zaunbrecher I wonder if you could start.

Mr. ZAUNBRECHER. I would like to defer to Ms. Horton from the Audubon Society.

TESTIMONY OF ALISON HORTON, ASSOCIATE LEGISLATIVE DIRECTOR, NATIONAL AUDUBON SOCIETY, WASHINGTON, D.C.; TERRY SOPHER, WILDERNESS SOCIETY, WASHINGTON, D.C.; DUSTY ZAUNBRECHER, NATIONAL WILDLIFE FEDERATION; DEBBIE SEASE, SIERRA CLUB, WASHINGTON, D.C.; AND MAITLAND SHARPE, CONSERVATION DIRECTOR, IZAAK WALTON LEAGUE, ARLINGTON, VA.

Ms. HORTON. If you have no objection, we drew straws in advance.

Mr. Chairman, I will summarize my written statement and appreciate this opportunity to present the views of the National Audubon Society which has nearly half a million members and prides itself on its efforts to strike a reasonable balance in the name of environmental protection.

We have studied with care your proposal as initiated by Senate Resolution 231 and the Reagan administration proposals and actions to date.

We would like to commend you, Mr. Chairman, not only for your interest in reducing the evergrowing Federal deficit but also for your expressed commitment to safeguarding environmental and natural resource values which could be impacted by an accelerated Federal property sales program.

Our fundamental concerns with the proposals which we have heard to date are twofold, and it is on these which I want to focus today. First, we would deplore any initiative which would result in a retreat from the existing national policy that it is in the best interests of the American people to retain the public lands in public ownership. Second, we would oppose any program which threatens to undermine the ability of State and local governments to provide much needed recreation and open space opportunities for their citizens.

The National Audubon Society is also greatly concerned about the direction which administration initiatives on Federal property sales have taken to date. This administration has expressed a commitment to increased development in wilderness areas, to unraveling the planning process for the public lands, to zeroing out the Land and Water Conservation Fund. Senior policy advisers have even recommended the sale of wilderness areas. The climate for sound, conservation-minded public lands policy, and certainly for policies for land disposal, is not, to say the least, a reassuring one.

Let me first discuss what may be broadly described as the public lands—for the purposes of this issue those lands managed by the Department of the Interior's Bureau of Land Management and by the Department of Agriculture as national forests. To add to this discussion essential perspective on the existing national policy governing our public lands I want to summarize the history behind that policy. The vast public domain was built up over the course of our Nation's first century.

At one time or another the Federal Government has held title to four-fifths of the Nation's land mass. The Homestead Act of 1862, other settlement acts, grants to States and the railroads resulted in disposal of over a billion acres of this public domain through 1976. Throughout much of our history it was the commonly held view that outside of parklands, forests, and mineral areas, the public lands were to be disposed of.

That the Federal land disposal programs were much abused for decades is well known. Lack of foresight coupled with lack of organization allowed unscrupulous speculators and big-money monopolies to dominate the Federal disposal programs. Much of the public lands legislation of the last half of the 1800's provided the mechanisms for this abuse; the Timber and Stone Act, the Timber Cutting Act, the Dawes Act of 1887, the Desert Land Act of 1877 paved the way for massive giveaways of land and resources.

The change in public attitudes toward the public lands came with a realization that they were finite, that they were a resource of diminishing quantity and increasing value. The result was new law and refined policy direction. For instance, the Multiple Use and Sustained Yield Act was enacted in 1960 to provide that the national forests be administered for a broad range of uses such as outdoor recreation, range, timber, and wildlife. The Classification and Multiple Use Act of 1964 extended similar multiple use authorities to the Bureau of Land Management.

Also in 1964, the Public Land Law Review Commission was established by act of Congress. The review which that Commission undertook was, almost ironically, the price which then-House Interior Committee Chairman Wayne Aspinall extracted for allowing passage of the Wilderness Act. Accompanying the establishment of the Commission was congressional language stating that the public lands should either be retained or disposed of "in a manner to provide the maximum benefit for the general public."

With this directive, and under the chairmanship of Aspinall, the Commission went to work. Wayne Aspinall was no environmentalist, and the report which resulted from his Commission's deliberations in 1970 contained much to please those who advocated massive resource exploitation. The document was, however, abundantly clear with respect to the basic principle that the Nation should follow a policy of retaining what was left of its public lands.

In 1976 this policy of retention of the public lands was reinforced by passage of the Federal Land Policy and Management Act. FLPMA set up mechanisms for planning, management and coordination on the public land managed by the Bureau of Land Management. It also specifically provides for land sales as appropriate within the planning framework.

FLPMA also calls for a long overdue inventory of public land resources so that planning for and management of those resources can be undertaken with the best possible information at hand. Such an inventory is essential to an adequate planning process just as disposal of tracts which are not suitable for retention is essential.

And adequate planning is, in turn, essential to wise resource management. However, to separate the inventory process from the planning process, to make it not an inventory of resources but one of assets, to describe its goal not as judicious management of resources but as indentification of assets to be liquidated as does Senate Resolution 231 will inevitably result in circumvention of the already established planning process.

What does even a cursory look at the history of public land policy in this country tell us? It tells us we would be turning back the clock in undertaking accelerated disposal of public lands. The realization that the public lands were becoming a scarce and increasingly valuable national resource resulted in unequivocal policy for their retention. The opportunity for limited one-time income from an accelerated program of public land sales cannot begin to outweigh the irreplaceable losses which would result if land of significant value were disposed of.

I dwell on the public lands and the history which is behind them not because your proposals, Mr. Chairman, call for their dismantling. Rather, it is tne statements and actions to date of the administration which we feel cannot be disregarded. These same Bureau of Land Management lands which I have been discussing are the ones which OMB Director Stockman identified before your February 25 hearing as "residual" and "left over" and which he said "would be the major focus of the Property Management Program" for the Departments of the Interior and Agriculture.

Turning to those excess Federal properties which have been identified as surplus for disposal by the General Services Administration, sensible land use and planning procedures demand that the current practice which makes surplus properties available at no cost for public benefit purposes to other governmental entities continue.

Specifically for park, recreation, and community open space needs approximately 1,300 tracts have been tranferred to State and local governments at no cost since 1948. A brief survey of the listings of these transfers indicates, not surprisingly, that the more densely populated States have been the sites of a larger proportion of such transfers than the less densely populated states. Twenty-five of those transfers have been in your home State of Illinois, Mr. Chairman.

Let me note briefly that as the Reagan administration Federal real property program is underway, we are particularly concerned with implementation of Executive Order 12348. I won't elaborate on our concerns here, but we do feel that it sets up an unfortunate and inappropriate targeting process for excess properties.

Let me say in concluding that we must urge this committee to reject, in any legislation which you develop on this matter, attempts to undermine the national interest. The course which the administration is presently taking must be altered. To embark upon an accelerated Federal property sale program of any sort which does not expressly exclude the public lands and does not assure a mechanism by which Government entities can acquire lands at no cost for public benefit purposes such as open space and recreation is to do a great disservice not only to this generation of Americans but most certainly to the next.

Thank you very much.

Senator **Percy**. Mr. Sopher.

Mr. **Sopher**. I am Terry Sopher, the Wilderness Society's staff specialist on public lands. Prior to joining the staff of the Wilderness Society 1 year ago, I was a 9-year career civil servant in the Department of Interior.

The society as you know is a national organization representing 60,000 members dedicated to promoting a land ethic and effective multiple use management for the Nation's public lands. So we appreciate the opportunity to present testimony on issues related to Senate Resolution 231. And we appreciate the continuing opportunity to work with you and the subcommittee to address issues of concern related to any Federal land sales program.

But in light of the limited time available this morning, my statement will focus not on Senate Resolution 231, but rather on the related concept. Specifically, I am talking about the idea that there should be a massive disposal of Federal lands—particularly those lands administered by the Bureau of Land Management and the national forests administered by the U.S Forest Service. As you know, this concept has been referred to as "privatization" of Federal lands. Implicit in the concept is the idea of selling off hundreds of millions of acres of these Federal lands.

We understand that you personally do not support the idea of wholesale disposal of those lands. But this concept is being actively promoted by key administration officials. And leading sagebrush rebellion groups, such as the States Rights Coordinating Council, have been quick to endorse the "privatization" concept. That this concept is being supported by various administration officials and sagebrush rebels is not surprising. President Reagan, Secretary of the Interior Watt, and BLM Director Robert Burford are all self-proclaimed supporters of the sagebrush rebellion.

Privatization is nothing more than the sagebrush rebellion by a different name. The basic goal of the sagebrush rebels is to gain control of the public lands for private use instead of use by the general public. The idea of selling surplus—truly unneeded—Federal land has provided the sagebrush rebels with a convenient "cloak" of legitimacy to in fact accomplish their basic purpose—divest the general public of the resource wealth contained on the national forests and the BLM lands.

At first look, to many people unfamiliar with the public lands, the privatization concept sounds reasonable because of the following assertions made by its proponents: The Federal Government has hundreds of millions of acres of land serving no useful purpose; selling this land to private owners will not only generate sales revenues, but will allow the private sector to put the land to productive use; Government ownership fosters mismanagement.

In short, the basic argument is that these public lands are not providing important benefits to the Nation—the greatest benefits to the people will result only if these lands are sold.

Mr. Chairman, these very concepts were thoroughly and carefully considered over the past two decades by Congress and by both Democratic and Republican administrations. Central to this examination was the bipartisan Public Land Law Review Commission established by Congress in 1964. Its mandate: Make recommendations on the future of the public lands.

After literally years of hearings, commissioned studies and extensive debate, in 1970 the Commission issued its final recommendations. The basic conclusion: Wholesale disposal of the public lands would not serve the maximum public interest; maximum benefit to present and future generations of Americans would come from management of the public lands to provide for "multiple use and sustained yield" of resources; there may be "modest" cases where disposal would be appropriate; this should be determined on a case-by-case basis through careful land use planning.

These are momentus conclusions, Mr. Chairman, especially given that the Commission was chaired by Congressman Wayne Aspinall, a strong supporter of States' rights and economic development. Between 1970 and 1976, the Congress and the President enacted these concepts into law. Both the Forest Service and the BLM were mandated to develop a land use planning process to provide for multiple use and sustained yield.

Given the thoughtful and thorough review of this issue over 20 years, it is certainly irresponsible for advocates of privatization to perpetuate the myth that public lands are serving no useful purpose—providing no major benefits to the Nation as public lands. Congress and past administrations in fact concluded just the opposite: These public lands provide multiple uses and sustained yield of resources that could not be achieved through private ownership.

What are these multiple use benefits? The BLM and Forest Service lands provide a wide range of commodity and noncommodity values. Let me illustrate a few:

Commodity values—timber. 23 percent (114 million acres) of the Nation's total commercial timberland (438 million acres); 13 billion board feet of timber are harvested annually from these lands; these sales generate almost a billion dollars in receipts shared between the States, counties, and the Federal Government.

Commodity values—forage (rangeland). 270 million acres of the land is grazed (170 million acres BLM; 100 million acres U.S. Forest Service); total of about 19 million animal unit months (AUM's) of cattle, horses, sheep; over $38 million in grazing fee receipts.

Commodity values—minerals. Over 130 million acres leased; offshore leasing revenues: $10 billion; onshore revenues: $822 million.

These public lands also provide a wide range of natural and scenic values, educational, research, cultural, and recreational values.

For example, these lands provide 353 million visitor days for all forms of recreation including off-road vehicles, hiking, fishing, hunting, et cetera. These noncommodity values are further itemized in my written statement.

In terms of revenue generation, the public lands produced a total of almost $12.5 billion gross receipts in fiscal year 1981.

In conclusion, Mr. Chairman, it is time for the privatization scheme to be revealed for what it is: A land grab to provide immense profit to a few at the expense of the general public. The first 150 years of our Nation were a period when we were disposing of the public domain lands to encourage settlement and economic growth and to raise revenue. It is a history replete with corruption, scandal, and rampant speculation resulting in immense wealth for a few people.

If the public land sales program is not carefully kept in check by the Congress, we fear that historians of the future will judge us harshly indeed. Privatization could become known as piratization of our Nation's public land and resource inheritance. The 1980's could well be viewed as another era of corruption and scandal, in which these lands were put on the auction block, sold to the highest bidder, and the future be damned. Thank you, Mr. Chairman.

Mr. **Zaunbrecher**. My name is Dusty Zaunbrecher. I would like to thank you for your vast contributions to the cause of national resource conservation in this country.

Last year the federation membership endorsed the following statement on the disposal of lands presently in Federal ownership, which is the subject of Senate Resolution 231:

> The National Wildlife Federation continues to oppose the transfer of Federal lands other than those heretofore authorized by Congress to the States and private interests.

The culmination of this Nation's evolving public land ethic was the passage of the Federal Land Policy and Management Act of 1976 (FLPMA) which formally and finally articulated as Federal policy that the public lands will be retained in Federal ownership under the principles of multiple use and sustained yield.

While FLPMA's policy emphasizes retention, it also provides for disposal of public land at fair market value where there is a demonstrated need or public purpose to be served and when the transfer is clearly in the national interest. Such disposal actions must be consistent with BLM's areawide planning process. This process includes multiple use considerations. It also emphasized the importance of public participation in land use planning and decisionmaking procedures.

It is important to note that FLPMA defined multiple use as management "with consideration given to the relative values of the resources and not necessarily to the combination of uses that will give the greatest economic return." In other words, Congress gave weight to fish and wildlife, watershed, recreation, scientific, natural and scenic values to help counterbalance exploitative uses of the public lands. We consider this a landmark in the evolution of the Government from an economically focused landlord to a steward of public lands.

Recreation visits to the national resource lands totaled 80 million in 1979. Some of the recreation resources on public lands are: 30 special recreation areas totaling 3.1 million acres; the California Desert Conservation Area with 12 million acres; 45 recreational and white water rivers including four designated National Wild and Scenic Rivers and 16 candidates for this status; 216 miles of designated National Recreational Trails; 250 primitive campgrounds; 250 developed campsites; the King Range National Conservation Area covering 30 miles of Pacific coast beach; and the proposed Snake River Birds of Prey Conservation Area in Idaho, one of the most significant ecosystems in the world for hawks, owls, eagles, and other raptors.

We are concerned because some of these important wildlife habitat and public recreation areas meet the so far ill-defined criteria for disposal contained in Senate Resolution 231, the administration's proposed fiscal year 1983 budget, and the recent Executive order setting up a Property Review Board to initiate a land disposal program.

We perceive two characteristic themes of these land disposal initiatives. One is to sell excess or residual lands as a class of underutilized property to help balance the Federal budget. The other is to privatize the remaining national resource lands because public ownership is inherently unproductive and inefficient. These two themes feed and grow on each other, and are both supported at high levels in Government.

The federation must oppose both of these ill-founded rationales. The first is based on the idea that the disposal of entire classes or categories of public lands is an acceptable way to raise revenues. We oppose it because it appears to bypass multiple-use planning and the critical site specific public scrutiny such planning involves.

We oppose it because our members believe that public interest values must be the first consideration in public land management whether that land is antelope and cattle range in Nevada or an undisturbed greenbelt in Beltsville, Md., which contributes to the quality of life of residents in that part of Washington's metropolis. We do not believe that there are absolute categories of land which can be disposed of in the public interest. There are only individual parcels which must meet a stricter test than that their disposal will raise significant revenues.

We find the second theme, that Government ownership of land is inefficient and therefore should be abolished, particularly abhorrent. No category of landowner, not the Federal land managing agencies nor private individuals, has a monopoly on efficiency or good management. The federation believes America presently has too many economic landlords and not enough good stewards of the land.

Maximizing profits from land ownership is the reason prime farmland is converted to condominiums and parking lots and wildlife—abundant bottomland swamps are converted to soybean fields. Stewardship, on the other hand, is the reason the BLM protects the Snake River Canyon Birds of Prey Area from incompatible development, because it is in the public interest to do so, despite the fact that the benefits may be unquantifiable in market terms. Thank you.

Senator **Percy**. Thank you.

Ms. Sease?

Ms. **Sease**. Mr. Chairman, I would like to thank the committee for providing the Sierra Club this opportunity to express its views on Federal land sale proposals. The Sierra Club is a conservation organization with some 280,000 members nationwide. We are most appreciative of your continued efforts to seek constructive comment from conservation organizations on this important issue.

All of the various privatization proposals for selling Federal lands to offset the national debt raise serious concerns for our organization. I am sure there are many individual aspects of these proposals which we can agree upon, for there are certainly parcels of property owned by the Federal Government that should be sold.

However, the underlying premise of privatization is one with which we strongly disagree, and which runs counter to most of the public land legislation of the last few decades. That premise, as it is reflected to varying degrees in all of the proposals, is that public property should be managed for its highest economic return.

Our most serious concern with the various privatization proposals is their potential effect on public lands managed by the Bureau of Land Management and the U.S. Forest Service. The real property management program relies on significant sales from these two agencies, and Senate Resolution 231 as introduced would call for an inventory of lands managed by those agencies.

We hope that any legislation developed by this committee on this issue will offer express protection for the public lands from those who would use this process to effect their disposal, and will reaffirm the policy of retention and management of the public lands.

As I noted earlier, there is property owned by the Federal Government that we can all agree is not in the public interest to retain. It then becomes a matter of determining which kinds of properties should be reviewed for possible sale, and arriving at an acceptable process for deciding whether the given property should be retained, transferred to another Federal, State, or local agency for public benefit use, or sold.

These are not simple determinations to make, and laws and regulations have been devised over the years to insure that such determinations include consideration of the full range of public benefits from federally owned property.

We would support improvement in the implementation of these processes, but we would oppose any legislation that would eliminate these safeguards or that would establish economic return as the primary criteria for evaluation.

The question has been posed to conservation groups, "For what classifications of lands do you support sale?" This is not a question that can be answered simply, because within each of the land classifications where we could generally support sale of property there are exceptions.

For example, we generally agree that much of the lands listed as surplus and excess by the GSA should be sold. But there are notable examples of GSA properties in virtually every State that have been transferred to State and local governments for park and recreation uses. Such transfers help to provide open space and recreation lands in parts of the country where the abundant public lands that are enjoyed in the west are not available, and are an appropriate disposition of these lands.

Similarly, excess Department of Defense lands have been transferred to States and local communities for parks—for example, Discovery Park in Seattle and Anza Borrego State Park in California. We would argue that neither of these properties should have been sold. Rather, their transfer to the city of Seattle and the State of California, respectively, was the use most in the public interest.

There are also instances where what is excess to one Federal agency is needed by another. A case in point would be the Matagorda Air Force Base. Although unneeded by the Air Force, this land makes an admirable addition to the existing Aransas National Wildlife Refuge, providing additional habitat for the endangered whooping crane.

To sell this land for possible development would not be in the national interest. However, this is one of the properties in the surplus properties list attached to Senate Resolution 231.

These examples demonstrate that it is impossible to identify entire categories of lands that are unquestionably appropriate to sell. We are therefore left with the question of what criteria can be established within categories where some lands should be sold to make those specific determinations. As noted earlier, there is already a workable process in effect for BLM lands and for national forest lands.

This committee has cited examples to demonstrate that the process for selling GSA surplus properties has flaws and has, in the past, been abused. We agree that this process can be improved upon, and we will be happy to work with the Congress to seek an improved method for the disposal of surplus GSA and Department of Defense properties, but that method must provide assurance that the full range of public benefit will be assessed in determining how to dispose of surplus property.

Unquestionably, some of that property should be sold, but there are instances where the surplus property should be transferred to another Federal agency or to State and local government for public benefit uses. We would oppose any proposal that eliminated the opportunity for such transfers where appropriate.

One of the major complaints regarding the current land sales program for both GSA and the public lands under the Department of the Interior is the allocation of funds generated by such sales.

Currently all proceeds from GSA sales go to the land and water conservation fund, and most of the proceeds from BLM land sales go to the reclamation fund.

We would support modification of these allocations, and agree that some portion of these sales could well be applied to the national debt. As this committee develops detailed language on this, we would be pleased to offer constructive comment.

In summary, the Sierra Club's position on Federal land sale proposals described in Senate Resolution 231 and the real property management program is as follows:

We support the policy of retaining the public lands, and oppose any significant expansion of the current land disposal programs of the Forest Service or Bureau of Land Management.

We support the sale of excess and surplus GSA properties, so long as the option of transfer to other State, local or Federal agencies, when appropriate for park, recreation or other public benefit use is protected.

We support modification of existing allocation procedures to allow some portion of the receipts from Federal land sales to be applied to the national debt.

Finally, the Sierra Club recognizes that these are times of economic crisis, and that it is important to manage our assets in a prudent manner.

We therefore urge this committee to turn its attention to the current fiscal management of the public lands which provides subsidies to the commercial users at the taxpayers' expense.

We believe that substantial additional revenues could be generated from the resources of the public lands if true, fair market value were charged for the extraction and use of Federal forage, timber, minerals, oil, and gas. We would be pleased to work with the committee to achieve this goal.

Senator **PERCY**. Thank you.

Mr. Sharpe?

Mr. **SHARPE**. I am Maitland Sharpe, the conservation director, Izaak Walton League of America.

I appreciate the opportunity to be here today to express our concerns about the potential impact that Senate Resolution 231 will have on the public land.

Time is short and in my oral presentation, I will limit myself to general points.

First, the league is not categorically opposed to all disposal of public land whether by sale, exchange or transfer to States or municipalities. We recognize a need to rational patterns of public land ownership to block up land into manageable units, disposing of outlying units too small and release lands needed for urban growth. But the league is strongly opposed to wholesale disposal of public land holdings. And we are equally opposed to grading the public lands, selling off the most valuable most productive sites, leaving a fragmented, unmanageable array of the least desirable areas.

It is our position that any sales of public lands should be carried out within the framework of the land management planning process established by the Federal Land Policy and Management Act, FLPMA.

In framing FLPMA, Congress established a general policy of retaining the public lands, but it also provided mechanisms for limited sales and exchanges of those lands.

FLPMA established a multiple-use planning system as the central mechanism, as the central mechanism for calculating the resources of the public land. That system is comprehensive, integrates our resources and encourages involvement.

One of the purposes of this planning process is to identify lands that should be made available for exchange or disposal. The planning system applies public interest and that interest test in identifying a tract for disposal and requires that land sales be at fair market value.

All of these requirements must be applied in our view to any future land disposal actions in order to retain public confidence and assure a fair return to the Treasury. We believe that FLPMA planning system can be relied upon to identify tracks for disposal.

At present, lack of funding has achieved impediment to affecting land transfer to the FLPMA planning process. This administration budget proposals are systematically chocking BLM inventory and land planning activities.

The administration budget for fiscal year 1983 would drop by some 64 percent over a 2-year period, the solution does not lie in conducting a hurried single purpose inventory and assessment with OMB assigning quotas outside the framework of FLPMA.

The findings of such an accelerated effort would have accountability. They would be subject to extensive criticism and in time they would prove difficult to defend.

My second point in confronting a proposal of this magnitude it seems reasonable to me to ask whether a large scale sale of public land would succeed in accomplishing its end.

The immediate goal is to reduce the size of the Federal debt but debt reductions is only a means to the end of cutting interest rates.

A smaller national debt would require less Federal borrowing to finance that debt and that in turn should mean less pressure on the money market and a general drop in interest rates. But would these land sales really reduce interest rates?

Let's think of an example. If the Federal Government sold a tract of public lands for, let's say, $1 million, the debt could be reduced by that amount and the cost of services would drop by perhaps 140 or so, depending on the current cost of Federal borrowing.

As a result, the demand for money in the money market would in theory decline by the same amount. So far so good. But whoever purchased the tract almost certainly would borrow to pay the Federal Government; so it seems to me in terms of pressure in money market and therefore the impact on interest rates, it would be roughly a Washington transaction.

Reduced Federal borrowing would be offset by increased private borrowing and the effect on interest rates would be negligible, although the goal of trimming the Federal debt, the real goal of reducing interest rates would not be realized.

In that case, we, the American people, would not achieve the social and economic goals for which we had liquidated our productive land assets. In human terms, it would be no easier for young people to realize their hopes of home ownership, or for others to purchase cars or consumer durables. And, also, in human terms, our recreation and wildlife assets would be depleted and our sense of freedom and access and pride in the American way would be sadly diminished.

Thank you, again, for this opportunity to discuss our concerns and I will be happy to try to answer any questions as I can.

Senator **Percy.** I thank you very much indeed. I am really very pleased that we agree on a number of points.

What I hope we can do is find as shortly as possible what we are really talking about, where we do agree and where we clearly are ruling out of any consideration disposal or sale that is just beyond anyone's comprehension in the national interest to do that. I think most of you have indicated a very clear understanding, all public lands do not—when we say public lands you so many times think of pristine areas, beautiful mountains, free-flowing rivers, that parks and so forth and to just indicate all public lands would be misleading, of course. There are certain public lands known as public lands that are not in that area would not meet that definition at all.

In my opening statement, I showed some of the things and that is why we went out to photograph, inspect, and look at the kind of things that we are talking about. We didn't go to Yosemite, we didn't go to the Grand Canyon, we went to this area in Las Vegas, which is on the strip, that is public land. It is completely surrounded by a middle-income housing development also in Las Vegas. Those are the kinds of areas that I hope we would reach agreement on, that this kind of public land, and that is public land, can and should be sold in a timely and orderly fashion and we can do so without disrupting the environmental quality of the surrounding area. If anything, we would be improving the environment. Certainly in a case like this, where it is just used as a dump, no care and maintenance of it, anything and everything is dumped in that area and that is not adding to the environment, it is detracting from the environment, the quality of the environment in the surrounding area.

Do we concur that it is the kind of thing that we are talking about and that we are excluding, totally and completely, the kinds of areas that we want to preserve, it is our national policy to preserve and that we want to add to.

Does anyone want to comment on the definition of what we are looking at and all it is impractical to exclude all public lands and these are public lands that should be disposed of?

Mr. **Sharpe.** With your permission, I would like to open the commentary on that. It seems to me that one of our most fundamental points in our testimony this morning and in our written statement and in the continuing debate over this general issue is that the public lands have many values, some of them economic, some of them not economic, noncommodity values, values that resist quantity, that although it is clear that the national parks, the national monuments, and, I hope, the national wildlife refuges are of such unquestionable value in the eyes of the American public that we're not talking about disposal of those lands.

That is not enough from a conservation perspective that in fact the great extent of public land, the 190-some of the national forest system, the nearly 400 million acres of the public lands managed by the Bureau of Land Management themselves have tremendous values, not only mineral and timber and forest, productive commodity values but values for wildlife, for watershed protection, fisheries, for outdoor recreation, for an spiritual sense of freedom and ownership and access to the American land, and that these lands are not wastelands. They are not excess; they are not somehow surplus to this Nation's needs. So we want to make sure that the line—that there is not a fundamental assumption as if this debate goes forward that by excluding national parks, national wildlife refuges somehow the environmental concern, the conservation concern, the legitimate concern, all of the special land in this country are taken care of because that is emphatically not so.

Senator PERCY. Would we agree that this particular area, and I agree with the things that you automatically included, but these kinds of areas that are used as dumps out urban areas surrounded by housing should be looked at as to whether or not they couldn't be disposed?

Mr. SHARPE. Yes, sir.

Senator PERCY. Of what earthly good does anything like that, what foreseeable use in the next 100 years for that kind of property for recreational use, could it not be better utilized by offering it for development?

Mr. SHARPE. As I said in my testimony, we agree that there are lands that can and should be identified for disposal, various types, including for multiple or urban growth, however as I also said in my testimony, we believe there is a rational, careful, well-designed, and functioning process for identifying these areas, a process that given adequate financing and manpower and emphasis and devotion by this administration and others will get that job done in a process that can be relied upon to produce disposal decisions that will enjoy broad credibility that will survive that will cut through that will not be blocked by various kinds of legal actions and local political dissent.

Finally, a full-blown planning process is needed to insure that your view or mine have an "obviously" barren, useless area is habitat for an endangered species or does not contain any nationally significant archeological sites.

Those are kinds of judgments that none of us can make by viewing a photograph or walking over a piece of ground. They demand a slow, careful, rational interdisciplinary process of the sort that is provided under FLPMA and we urge you to embrace that process in trying to expedite disposal of track that should be disposed of.

Ms. SEASE. If I can address that point. I think that what we have been disagreeing upon is not which of the land should be sold, but the process of drawing those distinctions.

From discussions with the Bureau of Land Management, it seems that if there is a bottleneck in that process, it is not the identifications, it is the sale of land after they have been identified.

We would certainly work with your committee to find ways of alleviating the bottleneck after going through the careful identification process.

Senator PERCY. I am glad to hear you say that. I would think if any rational person looked at this kind of a property where our investors didn't put that abandoned because in there, I don't know how long it has been there, a long time, no one is going to come in and haul it off Federal property but every time someone goes by it is an eyesore for anyone on that property. It would appear as though we would make a rather quick decision if it is used again for dumping, that it does not have in the foreseeable future as far as we can see any use and I think we can develop a procedure that would be rapid enough to make a decision to dispose of it and get on with our business because what I don't want the Federal Government to do is make a decision and then just procrastinate and delay and mull it over.

We need to spend time on properties that are marginal, that have dual uses, that we need to look ahead for. That we don't want to rush one bit. But I think these things, some of them seem to be quite clearcut. We need to have parks and hospitals and so forth. But shouldn't they be put where they are needed most and not where the Federal Government happens to have some unneeded property? Couldn't we take care of this in some other way defined as giving what belongs to the taxpayer.

I am very concerned about the Federal Government when it says, DOD, they found excess property, and they are going to find a great deal of it because they own a high proportion of all the Federal land that can be disposed of, if they have to give it away to some other Federal agencies, how long does that take, how much money does it cost? If it is free, how do they evaluate whether it is turning down or not? It is given to you free—it isn't much of a strain and the same thing is true in States. They will sometimes take property from the Federal Government. They have no good use for it but they don't want to turn it down. I tend to think market forces, even the State of Delaware, if it is a fair value and it is estimatable value, that the Government purchased it originally at fair value, it seems to me that is the logical way to go about it to determine what the fair market value is. I think if we can reach general agreement there that there is a balance that has to be put into this and considerations that you have given have to be taken into account.

Mr. Zaunbrecher, I would like to put a question to you because I have been very proud of the environment records that I have had now for about 16 years in the Senate. I put it very, very high in my consideration and going into this, I have not changed my attitude one bit. Too often, we heard people talk about how much preserving our environmental costs and how we have to choose between jobs and environmental quality.

I often wonder why it would be so hard to have a prosperous economy and a beautiful country at the same time. We got to do both. They are equally important objectives and if we don't do it in this generation, succeeding generations are going to condemn us if we don't take that into account. That is why all of you being here is too important to us. In the case of the resolution, I am proposing I firmly believe that we can raise the estimated $4 billion in revenues from public domain land sales without doing anything that would impair the scenic wildlife or recreation uses of the western States.

Mr. Zaunbrecher, your organization does speak for hundreds of thousands of conservationists, many of whom are avid hunters, fishermen and the like, do you agree with me if we sold the kind of community expansion land that we have shown in these pictures here it would not interfere in any way with the environmental and recreational interests in your membership.

Mr. ZAUNBRECHER. In looking at the photograph, we can agree that some lands qualify as candidates for disposal. The National Wildlife Federation membership has particular problems with the scale of the projected sale of land that would be necessary to achieve the budget targets that have been mentioned in testimony here.

The $1.8 billion, for example, that Mr. Stockman said would have to come from Interior and Agriculture Department lands indicate to us that several million acres of BLM or Forest Service lands per year would have to be actually sold. That brings up the next question of how much would actually have to be offered in order to attain a $1.8 million acre sale. Again, on the question of scale, in the past 7 years, the BLM has sold about 20,000 acres of land. Most of that land is highly marketable and it is in urban areas.

The revenue generating potential for that land has been proved to be fairly low. The average price is $890 per acre. I think BLM personnel would estimate a much lower price the balance of BLM lands. Perhaps $200 an acre. At that rate, we are talking about a pretty massive program and the National Wildlife Federation seeks to be assured that the mesh on the screen against which these sales are considered is fine enough to prevent the sale of those lands that have significant resources on them.

Senator PERCY. Our staff has analyzed BLM land in three communities. We roughly estimated there were about $100 million worth of property that I don't think we disagree that it could be disposed of. That gives you some value, some idea of what we have available. Mr. Sharpe, you represent the Izaak Walton League and you have stated in your statement, concluded that although you do not support the sale of large blocks, not forest and BLM lands, you would like to see us collect more revenue from leaseholders on these lands. You suggest charging market rates for grazing fees, onshore oil and gas leases, and hard rock mineral extraction. It is a very persuasive point. I couldn't agree more with you. When I look at some of the subsidies, terrible subsidy difficulties that are paid to private developers by the very low rates that—they are getting away with murder and they know it and they are not impoverished people living on food stamps. They are some of the more wealthy levels, but paying nothing near the fair value.

Now the problem that I have as a businessman in looking at this is, and I know some of you are nervous about evaluating properties, with the concern if we put a value on it, we may sell it, that is not what we are looking at and we want to build in clearly that was not the subsequent purpose or authority being provided to the executive of financial governments. What we do want to do is look at economics. The question I put to you, how do we go about setting a fair fee, a fair cost for grazing for instance, unless we know what the value of that land is. I do get the feeling you are a little nervous about that. Would you walk in our shoes now? How do we go about setting, as you say, fair values, charging market rates for grazing fees, onshore and hard rock mineral tracts if we don't have some sort of evaluation?

Mr. **Sharpe**. I think it is quite possible, and as a business practice necessary to separate the evaluation that you place on the land as a commodity as capital asset to be transferred in fee simple versus the evaluation you place on the value of the annual forage use of a unit of public land, for instance, on the evaluation you place on oil and gas mineral extracted from a particular lease or hard rock minerals that can be mined.

I think in the case of grazing fees--first, I should note that it is a notorious morass, politically and economically, trying to evaluate, set an economically defensible, and at the same time politically acceptable evaluation on grazing fees. However, it seems to me that in theory it is fairly simple, you look at the comparable private market, you look at what forage is selling for in comparable situations under the private market and then you apply that essentially same fee structure to the sale of Federal forage.

I don't believe that necessarily demands an evaluation of the entire value, market value, in fee where the Federal land and that forage occurs.

At the same time, I would point out that the major effort to inventory the forage resources in the Federal lands has been systematically abandoned and crippled and strangled in terms of budget by this administration in the last 2 years. You and we want those resources to be inventoried so that we know what we have out there so that they can be best managed and so that the salable commodities will be sold at fair price with a fair return to all of us.

We are distressed that the recent history of BLM management and budget has been going in the opposite direction, has been retreating from a systematic land base detailed inventory of the forage, resource and the productive potential of those lands and we would certainly urge you and all the other members of this committee to do whatever you can to persuade the administration to reverse that and to pay more attention to providing the kind of inventory effort that is going to be necessary to begin to place a fair valuation on the forage resource and ultimately on the land itself.

Ms. **Horton**. Mr. Chairman, if I can elaborate, looking at our concerns regarding the administration approach. When we look at the Executive order that was recently put in force, I think we all share a sense that it approaches the inventory process in a backwards way, so we see that as an unfortunate beginning to this kind of analysis. Here the Property Review Board, in fact, is called upon to set target amounts which each agency is supposed to meet on an annual basis, in the way of identifying excess properties and then to call upon the agencies to meet those levels as they identify properties for disposal. The GSA Administrator is then put in a position of identifying additional lands that should be identified for disposal if the agencies in his judgment have failed to do so. We see this as flipping around, almost, the orderly resource planning process that in a way should start from the resource management level and work up.

Senator **Percy**. Thank you very much.

Mr. **Sopher**. Could I add something to that?

This morning's hearing has put considerable emphasis on applying the principles of good business management to the management of Federal property. That is, you ought to know what you have in your assets and what their value is. In fact, the conservation community supports this concept very strongly. That is what our concern about the public lands is all about. In fact, that is why Congress mandated a land use planning process for BLM and the Forest Service.

The basic purpose of the land use planning process is to find out what those resource values—both commodity and noncommodity values—are on these public lands so we understand fully their value and importance to the American people. We can then make the wisest decision about what to do with each of those individual parcels of land.

This is what our concern is all about. The land use planning process is being severely crippled by the administration's budget. The administration's budget, despite their various statements of commitment to the concept of good stewardship, is making that a mockery, a hollow term. Under the administration's budget, it is impossible to have good stewardship, it is impossible to adopt good business management practices like we have been talking about here today because the agencies are systematically stripped of the real ability to inventory these resource values and fairly assess their worth to the American people.

Senator PERCY. We certainly have to preserve that capability and if we mandate the work to be done, called for in this resolution, we are going to have to provide the background for it. There is no question.

Ms. Sease, I would like to go the letter that you quote. You did not indicate who wrote the letter, but it does describe the lack of demand for public land adjacent to communities.

In the letter it said:

> Even with land in a desirable location, the demand is low. As an example, some 695 acres in 91 separate parcels were offered for sale near Las Vegas, Nev., in September 1981. Only one parcel containing 2½ acres sold. The minimum bid was set at $33,450 and the purchase price paid by the high bidder was $37,600.

You then concluded, "This indicates that low demand is one of the primary impediments to an expanded land sale program within the Bureau."

Could you identify who wrote the letter?

Ms. SEASE. The letter was signed by the Assistant Director for Land and Realty, but I was unsure whether James M. Parker, who signed the letter, is the actual or merely the Acting Assistant Director.

Senator PERCY. Let me show the two pieces of property, one out in the middle of nowhere and one of them with the streets, water supply, and so forth. If you were given a choice set of priorities to sell either this piece of property or that piece of property and were putting your own time and effort into it, which one of them would you pick to sell?

Ms. SEASE. I think under any analysis I would probably choose to sell the one that was near sewers, streets, and other facilities.

Senator PERCY. I would, too, and I think any sensible person would, any real estate broker would. Unfortunately, BLM decided to sell the undeveloped property first and at three times what the local realtors gave as the estimated market value. This is the kind of example you cite in your testimony and I am not surprised there were few takers, three times the value, what is the market of that—how many people want to go out and start out a whole new community rather than being there with neighbors and friends and having the facilities and the infrastructure of a city.

Would you agree with me that there actually are public lands that have a relatively high marketability and can be sold at a price and in established neighborhoods that public lands come right up to an established neighborhood and our problem of selling is tied to more poor management than the fact that few people want to buy these. I think the realtors of America would say that kind of property right there next to a developed community has a market value and can be disposed of.

Ms. SEASE. Senator, I would certainly agree that there are examples within the Bureau of Land Management of property that is within or near communities suitable for development which bring an attractive price.

I would also contend that much of what the Bureau has identified as being surplus, that is, as being not in public interest to retain, is not quite such desirable property. If you try to determine an average acreage value, large quantities of undesirable property will bring down that average price per acre.

Senator PERCY. Mr. Sopher, I wanted to check with you to see if we are on the same wavelength or not. Your statement indicated that you do have serious reservation about any program of massive privatization of the Western grazing and forest lands. You indicate in your statement that you strongly oppose any program to sell large portions of Western grazing and forest lands to private sector ranchers and the like. As I noted in my own opening statement, I am confident we can meet the President's budget goals by limiting ourselves to community expansion lands and scattered and isolated plots, certainly for the foreseeable future. We have a wealth of material about getting into those areas. I also have proposed that—even though FLPMA has not been well used to sell unneeded properties in the properties in the past—we should give the act another chance to work. Am I correct in noting your have not real disagreement with what I actually proposed?

Mr. SOPHER. Senator, I agree largely with what you said. I would like to make a very important clarification.

First, as we have emphasized, there may well be a fair amount of BLM land—how much, no one can say at this point—that is found to be appropriate for disposal. No one knows currently how much acreage this might be because the land use planning process has not been completed for all BLM and Forest Service land. Land use plans have been completed for some land. In these cases the plans have already identified parcels appropriate for disposal. In some cases these parcels are around urban areas, in other cases they are scattered and isolated, and in other cases they are in larger blocks of 1,000 or more acres. In such cases, disposed may include not only sale fair market prices but also disposal through land exchanges with States, other Federal agencies, or private property owners. So this process is now occurring. The problem is the administration is precluding the funds necessary for that responsible land use planning process to continue. We think, however, that it is not in the national interest to consider the divestiture of the large massive blocks of the forest and BLM lands. But within the lands as they are currently owned, there may be modest portions that are appropriate for sale.

Senator PERCY. The next question or two I am posing for the purposes of allowing you to express as clearly, as effective as you can, beyond your statements, other concerns that you have, those concerns will be fully taken into account by every member as we go into markup on this resolution.

Ms. Horton, I believe the Audubon Society has many differences of opinion with the administration policies and to it mildly, with Secretary Watt's management of the Department of the Interior. You did not hold back in your comments in that regard. I get the impression that you simply have developed a distrust in the Government to really carry out a responsible approach to property liquidation, is that a fair statement of your position?

Ms. HORTON. I think that distrust is a perfectly fair word to use in that situation.

Beyond that, as far as these proposals go, I think that it is not simply our distrust of the administration which causes us some concern, it all reverts back to this question of process which we all seem to be going back to. The Audubon Society has given some considerable thought to this question, and to whether there are clean distinctions and lines to be drawn, and we keep going back to the basic point that we feel indeed that there is a process in place and that any new process that goes into place having to do with property sale or disposal should include the two criteria that I touched on in closing. One, public lands should not be subjected to a new process because there is an existing one and two, indeed whatever shift is made in the disposal of surplus properties by GSA, that some mechanism has to stay in place for those occasions where it is in the best public interest to transfer lands at no cost to other governmental entities. These concerns are not totally a result of our concern that the current administration will not use what we feel is the greatest wisdom in making these decisions.

Senator PERCY. With respect to this resolution, I am peased to report to you that Secretary Watt has reached out to indicate that he wants to work with the Congress on it; he wants our clear intent; he wants to be a part of the development process and I think he is very sensitive to that and I was very grateful for his doing that. I just want to assure you, every single one of you and your organizations that we in the Congress simply will not stand on any kind of wholesale degredation of the environment. I have talked twice this week already with my distinguished colleagues and chairman of Public Works Committee on the Clean Air Act provisions, assured him of my full support and backing for legislation that I feel is in the national interest, it must be exercised and I am working also on the Foreign Relations Committee to see that we work with Canada, such as we tried to clean up Lake Michigan about a water and swimming all my life, as we do that we got to work with Michigan, Indiana, Wisconsin, to work with us and we are all one body here, what they do to their air and what we do to our air affects them and we work together internationally in that regard and we have had the help of a lot of you.

As a sponsor of this resolution in the Senate, I can assure you, and I want to put on the record my guarantee that I will exercise extraordinary careful oversight as will our staff in making sure that no actions are taken which will damage in any fundamental way of environment of the Western United States or any part of the United States for that matter and I hope you understand that. You have worked all of you with the Congress through the years, you know the oversight that we try to exercise. Do you reasonably have confidence in our ability, in our intention and desire to share the same goals as you share and confidence that we will try to chart a fair and balanced and reasonable course as we inventory none of sales unneeded, unnecessary public lands that will add nothing in the foreseeable future to the qualify of land in America.

Mr. SOPHER. We can say that indeed we do have that confidence, that is why we are appearing before you today, that is why we have been welcoming the opportunity to work with you and your staff.

However, as a result of Secretary Watt's record of the past year, there is indeed a great deal of distrust of Secretary Watt. This is because Secretary Watt's mismanagement of the public lands. The nature and extent of the mismanagement has been documented by The Wilderness Society in our two-volume "Watt Book." This document provides a severe indictment of Mr. Watt.

We are here today to work with you and to say, in fact, if this resolution is going to go forward that we and encourage the administration to take action. That if a resolution of this type is going to be successful in preventing mismanagement of our national resource heritage, that it needs to have some things added, and we would be very happy to work with you to see that happens.

Senator PERCY. We appreciate that. You all have a feeling that you do have adequate access to use and that what-ever Member of the Congress you need to get your message across to are available to you and want to listen to you.

Ms. HORTON. You and your staff have been available.

Mr. ZAUNBRECHER. We seldom have a problem getting the window that we need to present our message to Congress.

I would like to clarify some of the differences with the administration that bear on your resolution and the way that they may choose to administer whatever direction you give them and that is in the philosophical problem that the National Wildlife Federation has with public land management Under Secretary of the Interior and that the management by objective scheme and by the way that is implemented and as an example in the oil and gas areas that the directions out in the field there would be no backlog of oil and gas. For every application that is received on would be issued.

This is despite the fact there might be a very good reason for a backlog of oil and gas application. It might be manpower or it might be—it could result in resource damage.

The same theme appears in the executive that target amounts of property will be indentified for disposal.

Senator PERCY. Thank you very much. I appreciate your being here. If you have other comments and thoughts as you go home, we will keep the record open for 10 days for you then and we will include the testimony of Charles Callison, of the Public Lands Institute, with your testimony today.

We have just 20 minutes left before I have a scheduled meeting with Howard Baker and Senate leadership so we will have to move right along. I thank you very much for your appearance.

[The prepared statements of Ms. Horton, Mr. Sopher, Mr. Zaunbrecher, Ms. Sease, Mr. Sharpe, and Mr. Callison follows:]

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STATEMENT OF ALISON HORTON
ASSOCIATE LEGISLATIVE DIRECTOR
PUBLIC LANDS AND WATERS PROGRAM

BEFORE THE SENATE COMMITTEE
ON GOVERNMENTAL AFFAIRS

MARCH 18, 1982

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to present the views of the National Audubon Society regarding this issue of accelerated federal property sales.

The National Audubon Society with nearly half a million members in 470 chapters across the country prides itself on its efforts to strike a reasonable balance in the name of environmental protection. It is, therefore, with interest and care that we have studied your proposals related to federal property sales as initiated by S. Res. 231. We have also carefully analyzed the Reagan Administration proposals and actions to date.

We would like to commend you, Mr. Chairman, not only for your interest in reducing the evergrowing federal deficit but also for your expressed commitment to safeguarding environmental and natural resource values which could be impacted by an accelerated federal property sales program.

Our fundamental concerns with the proposals which we have heard to date are two-fold, and it is on these which I want to focus today. First, we would deplore any initiative which would result in a retreat from the existing national policy that it is in the best interests of the American people to retain the public lands in public ownership. Second, we would oppose any program which threatens to undermine the ability of state and local governments to provide much needed recreation and open space opportunities for their citizens.

The National Audubon Society is also greatly concerned about the direction which Administration initiatives on federal property sales have taken to date. This Administration has expressed a commitment to increased development in wilderness areas, to unraveling the planning process for the public lands, to zeroing out the Land and Water Conservation Fund. Senior policy advisors have even recommended the sale of wilderness areas. The climate for sound, conservation-minded public lands policy, and certainly for policies for land disposal, is not, to say the least, a reassuring one.

The Public Lands

Let me first discuss what may be broadly described as the public lands -- for the purposes of this issue those lands managed by the Department of the Interior's Bureau of Land Management and by the Department of Agriculture as national forests. To add to this discussion essential perspective on the existing national policy governing our public lands I want to summarize the history behind that policy. The vast public domain was built up over the course of our nation's first century. At one time or another the federal government has held title to four-fifths of the nation's land mass. The Homestead Act of 1862, other settlement acts, grants to states and the railroads resulted in disposal of over a billion acres of this public domain through 1976. Throughout much of our history it was the commonly held view that outside of parklands, forests and mineral areas, the public lands were to be disposed of.

That the federal land disposal programs were much abused for decades is well known. Lack of foresight coupled with lack of organization allowed unscrupulous speculators and big-money monopolies to dominate the federal disposal programs. Much of the public lands legislation of the last half of the 1800's provided the mechanisms for this abuse; the Timber and Stone Act, the Timber Cutting Act, the Dawes Act of 1887, the Desert Land Act of 1877 paved the way for massive giveaways of land and resources.

The change in public attitudes towards the public lands came with a realization that they were finite, that they were a resource of diminishing quantity and increasing value. The result was new law and refined policy direction. For instance, the Multiple Use and Sustained Yield Act was enacted in 1960 to provide that the national forests be administered for a broad range of uses such as outdoor recreation, range, timber and wildlife. The Classification and Multiple Use Act of 1964 extended similar multiple use authorities to the Bureau of Land Management.

Also in 1964, the Public Land Law Review Commission was established by act of Congress. The review which that commission undertook was, almost ironically, the price which then-House Interior Committee Chairman Wayne Aspinall extracted for allowing passage of the Wilderness Act. Accompanying the establishment of the commission was Congressional language stating that the public lands should either be retained or disposed of "in a manner to provide the maximum benefit for the general public." With this directive, and under the chairmanship of Aspinall, the commission went to work. Wayne Aspinall was no environmentalist, and the report which resulted from his commission's deliberations in 1970 contained much to please those who advocated massive resource exploitation. The document was, however, abundantly clear with respect to the basic principle that the nation should follow a policy of retaining what was left of its public lands.

In 1976 this policy of retention of the public lands was reinforced by passage of the Federal Land Policy and Management Act (FLPMA). FLPMA set up mechanisms for planning, management and coordination on the public land managed by the Bureau of Land Management. It also specifically provides for land sales as appropriate within the planning framework (Sec. 203).

FLPMA also calls for a long overdue inventory of public land resources so that planning for and management of those resources can be undertaken with the best possible information at hand. Such an inventory is essential to an adequate planning process just as disposal of tracts which are not suitable for retention is essential. And adequate planning is, in turn, essential to wise resource management. However, to separate the inventory process from the planning process, to make it not an inventory of resources but one of assets, to describe its goal not as judicous management of resources but as identification of assets to be liquidated as does S. Res. 231 will inevitably result in circumvention of the already established planning process.

What does even a cursory look at the history of public land policy in this country tell us? It tells us we would be turning back the clock in undertaking accelerated disposal of public lands. The realization that the public lands were becoming a scarce and increasingly valuable national resource resulted in unequivocal policy for their retention. The opportunity for limited one-time income from an accelerated program of public land sales can not begin to outweigh the irreplaceable losses which would result if land of significant value were disposed of.

I dwell on the public lands and the history which is behind them not because your proposals, Mr. Chairman, call for their dismantling. Rather, it is the statements and actions to date of the Administration which we feel cannot be disregarded. These same Bureau of Land Management lands which I have been discussing are the ones which OMB Director Stockman identified before your February 25th hearing as "residual" and "left over" and which he said "would be the major focus of a Property Management Program" for the Departments of the Interior and Agriculture.

GSA Surplus Properties

Turning to those excess federal properties which have been identified as surplus for disposal by the General Services Administration, sensible land use and planning procedures demand that the current practice which makes surplus properties available at no cost for public benefit purposes to other governmental entities continue.

Specifically for park, recreation and community open space needs approximately 1,300 tracts have been transferred to state and local governments at no cost since 1948. A brief survey of the listing of these transfers indicates, not surprisingly, that the more densely populated states have been the sites of a larger proportion of such transfers than the less densely populated states. (Twenty-five of those transfers have been in your home state of Illinois, Mr. Chairman.) The advantages to be gained from such a surplus property disposal system seem, therefore, relatively evenly distributed among the taxpaying citizenry.

Because we consider open space and recreational resources critical to the well-being of our nation's communities, because the benefits to be gained by large percentages of the American public are incalcuable, because available lands for such purposes are becoming increasingly scarce, because the cost entailed in the reversion of developed lands to open space are enormous, we must oppose any federal property sale program which does not include a well-defined mechanism assuring that surplus properties can be made available at no cost to other government entities for public benefit uses.

The Administration Real Property Program

The Reagan Administration is in the process of implementing its Federal Real Property Program. Mr. Stockman's testimony elaborated on proposals briefly outlined in the Administration's FY 1983 budget. Up to 5 percent of the federal lands have been targeted for possible sale, meaning approximately 35 million acres. Mr. Stockman announced the policy that conveyances to state and local governments for public benefit purposes are being eliminated (with an exception for correctional facilities).

Also in place is Executive Order 12348. Among the provisions which most clearly jeopardize rational planning and management on the public lands is the directive that the Property Review Board, made up of senior White House staff, will "establish for each Executive agency annually the target amount of its real property holdings to be identified as excess" (Sec. 2(f)). Further, all agencies are directed to identify by April 25, 1982, all holdings "not being put to optimum use" (Sec. 3(b)). Following from this in Section 3(c) is the directive to identify properties to be disposed of in accord with the targets set by the Board. The Administrator of General Services is then given override power to report any properties which an agency has not recommended for disposal if the Administrator judges them to be excess. The havoc which such a procedure could bring to any orderly resource planning process is self-evident.

There have been no suggestions from the Administration regarding involvement of the public in these procedures. Public benefit has been subsumed to maximized economic gain without a clear mechanism for judging whether that economic gain outweighs other benefits. Prisons are, in fact, the only identified overriding use of public benefit. Once again the Reagan Administration has launched an attack on the publicly-owned natural resources and lands of this country.

The National Audubon Society must urge this committee to reject, in any legislation which you develop on this matter, attempts to undermine the national interest. The course which the Administration is presently taking must be altered. To embark upon an accelerated federal property sale program of any sort which does not expressly exclude the public lands and does not assure a mechanism by which government entities can acquire lands at no cost for public benefit purposes such as open space and recreation is to do a great disservice not only to this generation of Americans but most certainly to the next.

Thank you.

THE WILDERNESS SOCIETY

FOUNDED IN 1935

SUMMARY STATEMENT

Statement of Terry Sopher, Representing The Wilderness Society, Before the Subcommittee on Energy, Nuclear Proliferation and Governmental Processes of the Senate Committee on Governmental Affairs, March 18, 1982, on the Proposed Senate Resolution 231 Pertaining to Sale of Public Lands

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Mr. Chairman and members of the Subcommittee, I am Terry Sopher, The Wilderness Society's staff specialist on public lands administered by the Bureau of Land Management. I received my formal education in the West in natural resource management. Prior to joining the staff of The Wilderness Society one year ago, I was a 9-year career civil servant in the Department of the Interior, including 3 years in the Bureau of Land Management.

The Wilderness Society is a national organization representing 60,000 members dedicated to promoting a land ethic and effective multiple use management of the Nation's public lands. So we appreciate the opportunity to present testimony on issues related to Senate Resolution 231. And we appreciate the continuing opportunity to work with you and the Subcommittee to address issues of concern related to any Federal land sales program.

We would like to submit a detailed written statement for the record that addresses all aspects of S.Res. 231, including the excess and surplus properties program administered by the General Services Administration.

But in light of the limited time available this morning, my statement will focus not on S.Res. 231, but rather on a related concept. Specifically, I am talking about the idea that there should be a massive disposal of Federal lands -- particularly those lands administered by the Bureau of Land Management and the national forests administered by the U.S. Forest Service. As you know, this concept has been referred to as "privatization" of Federal lands. Implicit in the concept is the idea of selling off hundreds of millions of acres of these Federal lands.

We understand that you personally do not support the idea of wholesale disposal of these lands. But this concept is being actively promoted by key Administration officials. And leading Sagebrush Rebellion groups, such as the States Rights Coordinating Council, have been quick to endorse the "privatization" concept. That this concept is being supported by various Administration officials and Sagebrush Rebels is not surprising. President

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Reagan, Secretary of the Interior Watt, and BLM Director Robert Burford are all self-proclaimed supporters of the Sagebrush Rebellion.

"Privatization" is nothing more than the Sagebrush Rebellion by a different name. The basic goal of the Sagebrush Rebels is to gain control of the public lands for private use instead of use by the general public. The idea of selling "surplus" (truly unneeded) Federal land has provided the Sagebrush Rebels with a convenient "cloak" of legitimacy to in fact accomplish their basic purpose -- divest the general public of the resource wealth contained on the national forests and the BLM lands.

At first look, to many people unfamiliar with the public lands the "privatization" concept sounds reasonable because of the appealing assertions made by its proponents:

- the Federal Government has hundreds of millions of acres of land serving no useful purpose.
- selling this land to private owners will not only generate sales revenues, but will allow the private sector to put the land to productive use.
- government ownership fosters mismanagement.

In short, the basic argument is that these public lands are not providing important benefits to the Nation -- only sale of these lands will provide the greatest benefits to the people.

Mr. Chairman, these very concepts were thoroughly and carefully considered over the past two decades by Congress and by both Democratic and Republican administrations. Central to this examination was the bipartisan Public Land Law Review Commission established by Congress in 1964. Its mandate: Make recommendations on the future of the public lands.

After literally years of hearings, commissioned studies, and extensive debate, in 1970 the Commission issued its final recommendations. The basic conclusion:

- wholesale disposal of the public lands would not serve the maximum public interest;
- maximum benefit to present and future generations of Americans would come from management of the public lands to provide for "multiple use and sustained yield" of resources;
- there may be "modest" cases where disposal would be appropriate; this should be determined on a case-by-case basis through careful land use planning.

These were momentus conclusions, Mr. Chairman, especially given that the Commission was chaired by Congressman Wayne Aspinall, a strong supporter of States' rights and economic development. Between 1970 and 1976, the Congress and the President enacted these concepts into law. Both the Forest Service and the BLM were mandated to develop a land use planning process to provide for multiple use and sustained yield.

Given the thoughtful and thorough review of this issue over 20 years, it is certainly irresponsible for advocates of "privatization" to perpetuate the myth that public lands are serving no useful purpose -- providing no major benefits to the Nation as public lands. Congress and past Administrations in fact concluded just the opposite: these public lands provide multiple uses and sustained yield of resources that could not be achieved through private ownership.

What are these multiple use benefits? The BLM and Forest Service lands provide a wide range of commodity and noncommodity values. Let me illustrate a few:

Commodity Values

Timber

- 23% (114 million acres) of the Nation's total commercial timber land (438 million acres).
- 13 billion board feet of timber are harvested annually from these lands.
- these sales generate almost a billion dollars in receipts shared between the states, counties, and the Federal Government.

Forage (Rangeland)

- 270 million acres of the land is grazed (170 million acres BLM; 100 million acres U.S. Forest Service).
- total of about 19 million animal unit months (AUM's) of use by cattle, horses, sheep.
- over $38 million in grazing fee receipts.

Minerals

- over 130 million acres leased
- offshore leasing revenues: $10 billion
- onshore revenues: $822 million

Noncommodity Values: a wide range of natural and scenic values, educational, research, cultural, and recreational values.

Recreation

- 353 million visitor days for all forms -- off-road vehicles, hiking, fishing, hunting, etc.

Water

- almost 6 million acres of lakes
- over 214,000 miles of freshwater streams
- in the West, over 50% of volume of flowing water for use by ranchers, farmers, industry, etc., originates in national forests.
- over 1,000 municipal watersheds are contained in national forest lands.

Fish and Wildlife

- almost 400 million acres of big game habitat
- over 300 million acres of small game habitat
- habitats for numerous threatened, endangered, sensitive species.

Revenues

- total of almost $12.5 billion gross receipts
- revenues generated could be even higher if full fair market prices were charged for grazing, mineral leasing, hardrock mining:
  - Grazing: BLM/FS charge only $1.86/AUM in 1982 compared to $8.83/AUM on comparable private land.
  - Mineral Leasing: onshore lease royalty is only 12.5%; less than the 16.67% for offshore leases and far less than the 33+% charged on some private lands.
  - Hardrock Mining: hardrock miners pay absolutely nothing to the Government for mining valuable minerals.

But, some may ask, is it not true that the private sector could manage these lands more effectively and efficiently? The answer is clearly "No!" The history of resource development in this country has far too many examples of where the land and resources have been wasted in the quest for a "quick buck." Destructive mining practices, overgrazing, "cut and run" timber practices, and destructive farming practices on private and public land were the major factors in the first demands in the late 1800's for land and resource conservation policies by the Federal Government.

Similarly, too often private development of resources has led to "boom and bust" economics. A major goal of Congress in enacting the multiple use laws was to ensure stable production of resources over the long run. This is well illustrated by the timber situation in the Pacific Northwest where Forest Service and industry lands are about equal in productive potential for timber.

U.S. Department of Agriculture data reveal that the annual cut rate on forest industry lands is projected to decline steadily into the next century. It reached a high in 1976 at 8.4 billion board feet (bbf) and will steadily drop to an annual rate of 2.9 bbf in 2030. Net annual growth also declines. In contrast, on National Forest lands, the annual cut rate is generally stable, at 3.4 bbf in 1976 and at 3.9 bbf in 2030. In sharp contrast to industry lands, the net annual growth on forest service land more than doubles by 2030. This is the result of sustained-yield management.

Conclusion

In conclusion, Mr. Chairman, it is time for the "privatization" scheme to be revealed for what it is: a land grab to provide immense profit to a few at the expense of the general public. The first 150 years of our Nation were a period when we were disposing of the public domain lands to encourage settlement and economic growth and to raise revenue. It is a history replete with corruption, scandal, and rampant speculation resulting in immense wealth for a few people.

If the public land sale program is not carefully kept in check by the Congress, we fear that historians of the future will judge us harshly indeed. "Privatization" could become known as "piratization" of our Nation's public land and resource inheritance. The 1980's could well be viewed as another era of corruption and scandal, in which these lands were put on the auction block, sold to the highest bidder, and the future be damned.

THE WILDERNESS SOCIETY

FOUNDED IN 1935

Supplemental Statement for the Record Submitted by The Wilderness Society Concerning Senate Resolution 231.

On March 18, 1982, The Wilderness Society presented oral testimony on Senate Resolution 231 being considered by the Senate Subcommittee on Energy, Nuclear Proliferation and Government Processes. At that time, we requested approval to submit an additional statement supplementing the oral testimony.

This supplemental statement addresses the following issues related to S.Res. 231:

1. Multiple use and sustained yield values of the public lands.

2. Application of S.R. 231 to public land administered by the Departments of Agriculture and Interior.

3. Discounted conveyances of Federal excess and surplus property for park, recreation, and wildlife purposes.

4. Impact of Resolution on Land and Water Conservation Fund.

Multiple Use and Sustained Yield Values of the Public Lands

Some supporters of S.R. 231 promote the idea that the public lands administered by the BLM and the U.S. Forest Service should be sold because they are not currently providing significant benefits to the American people. Nothing could be farther from the truth. These public lands are currently managed - by mandate of Congress - to provide a steady stream of many uses and products for the benefit of the Nation. This is the so-called "multiple use and sustained yield" policy.

For nearly 20 years, Congress deliberated on whether the American people would benefit most from disposing of the public lands or from continued public ownership. In the 1970's, the question was resoundingly answered with enactment of laws mandating multiple use and sustained yield management of the public lands. It was clear that transfer of these lands into private ownership would result in the loss of (1) many multiple uses, (2) tremendous revenues from sustained yield of commodities, and (3) our irreplaceable natural heritage. Let's look at what public benefits are derived from these lands.

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Commodity Benefits: The 190-million-acre National Forest System and the 343 million acres administered by BLM are producing significant commodity benefits - timber, minerals, and range.

Timber: The National Forests and BLM lands contain approximately 23% (114 million acres) of the Nation's commercial timber land totaling 483 million acres; 90 million acres of commercial timber land in the National Forests and 24 million acres of BLM lands. Approximately 19.5% of the total timber removed per year in the U.S. comes from these lands; that's about 13 billion board feet per year, of which 12 billion come from the National Forests. These sales generate almost a billion dollars in receipts shared among states, counties, and the Federal government.

Under the law, the Forest Service and BLM are directed to keep their lands productive for timber-growing to ensure a stable supply of timber for the future. This is the so-called "sustained yield" management principle.

One of the major perils of selling National Forest or BLM timberland is that, in sharp contrast, timber companies are not required to manage private forest land for sustained yield. Selling off federal timberlands could well result in a "boom-bust" pattern, with a rapid liquidation of the standing inventory and a drop in production once the initial timber is gone. Sad to say, lack of sustained-yield management has frequently been the rule and not the exception for the timber industry on private lands. The timber situation in the Pacific Northwest provides a vivid example. The attached chart (Atch. 1) contains revealing statistics about past cutting rates and projected trends. Note that on forest industry lands the annual cut rate (termed "sawtimber supplies") is projected to decline steadily into the next century. It reached a high in 1976 at 8.4 billion board feet (bbf) and will steadily drop to an annual rate of 2.9 bbf in 2030. Net annual growth also declines. On National Forest lands, in contrast, the annual cut rate is generally stable, at 3.4 bbf in 1976 and at 3.9 bbf in 2030. And, in particularly sharp contrast to industry lands, the net annual growth more than doubles by 2030. The "bottom line" difference between Forest Service and industry management is not because the lands are dissimilar. The lands are about equal in productive potential. What accounts for the difference is the Forest Service sustained-yield mandate that prevents short-term overcutting that jeopardizes long-term stability.

The National Forests were set up because of severe mismanagement of natural resources by private companies. During the 18th and 19th centuries timber companies literally "mined" the nation's virgin forests, from Maine to Michigan to Oregon, with little concern for replacing the trees or protecting soil or other values. Early conservationists - Thoreau, Marsh, Muir and others - expressed alarm over the wasteful timber practices and the destruction of wildlife and watershed. In 1874 the Secretary of the Interior warned that all timber of value would soon be removed from public lands unless something was done. In response, Congress in 1891 gave the President authority to set aside public lands from the giveaway timber laws of the day. In 1897, Congress gave more specific directions that National Forests were to be established in order to protect watershed and forests and "to furnish a continuous supply of timber" for public use. Under these authorities a number of Presidents, including Theodore Roosevelt, created tens of millions of acres of National Forest out of the public domain in the West.

For the East as well, legislation was passed in 1911 authorizing the purchase of forested land for the creation of National Forests. This was in response to severe flooding of some major cities occurring because timber companies had clearcut entire watersheds. Many of the lands purchased by the Forest Service in the 1920s and 1930s were badly cut-over and eroded. Only after decades of careful management has the productivity of these forests largely been restored. In short, the National Forests, both East and West, owe their very existence to the destructive practices of the timber companies carried out on both public and private lands around the country.

Range. More than 100 million acres of National Forest and 170 million acres of BLM land are used for commercial grazing by cattle, horses and sheep. In total these lands provide about 19 million animal unit months (AUMs) of use (an AUM is the grazing of one cow, one horse, or five sheep in one month). This amount is only 9.5% of the total AUMs produced on the nation's rangeland. Private lands, particularly pasture land in the well-watered East and South, are far more suitable and productive for grazing than the arid western range lands.

If this Committee is seeking a sound way to generate revenue, it should give serious consideration to charging market value for livestock grazing. In 1982, the Forest Service and BLM will be charging only $1.86 per AUM, a fee actually reduced from 1981. This compares with a rate of $8.83 per AUM on comparable private land. Grazing fees return about $38 million to the Treasury. If the Forest Service and BLM charged the true market value for grazing permits, more than $132 million in additional revenues would be earned. These artificially low fees are mandated by the 1978 Public Rangeland Improvement Act. We urge the Congress to examine whether this "hidden" subsidy should be eliminated to enhance revenue generation from the public lands.

Minerals. The vast majority of National Forest and BLM lands are open to mineral exploration and development either under the mineral leasing laws or under the mining claim system established by the General Mining Law of 1872

Under the mining claim system, various "hardrock" minerals -- such as silver, gold, molybdenum -- can be extracted from the public lands with no rents or royalties paid by the miners to the Federal government. Based on production estimates by the Office of Technology Assessment, hundreds of millions of dollars a year of revenues could be generated simply by charging fair market value royalties for hardrock minerals currently given away free of charge from the public lands.

Minerals covered by the mineral leasing laws -- such as oil and gas -- are made available for development under a rent and royalty system. But even here significant new revenues could be generated if the Federal government was charging true fair market rents and royalties. For instance, the current Federal onshore oil and gas lease requires rents of one dollar per acre per year and a royalty of only 12.5%. At the same time, Federal offshore oil and gas leases require a 16.67% royalty, while on some private lands leasees must pay 33.3% royalties.

Conclusion: National Forests and BLM lands do not need to be sold in order to bring about commodity production. They already are being managed under existing law to provide range, timber, and minerals. And the renewable resources - range and timber - are being managed to produce a stable supply for the future. The primary "inefficiency" in present Federal land management is the failure to ensure that the public receives fair market value for commodities extracted from the public lands by the private sector. Over time, the Nation will receive far greater revenue from fair market leasing than from a one-time sale of the lands.

Non-Commodity Values: The National Forests and BLM lands provide the American people with a broad range of environmental, scientific, cultural, educational, and recreational values. These values are essential to the public health, welfare, and quality of life of our great Nation. There is no doubt that the kind of values summarized below would be lost if the public lands are sold.

Watershed. One of the primary purposes for which national forests were established was watershed protection. In the West, over 50 percent of the volume of all flowing water used by ranchers, farmers, industry and others originates in the national forests. Many major river systems, such as the Colorado, the Snake, the Columbia and the Missouri, begin in national forests. Over 1000 municipal watersheds are contained on national forest lands. Undisturbed forests, such as the old-growth stands in the Northwest, produce pure water both for human use and for fish and wildlife, thus saving communities the costs and health impacts of chemical treatment. There is very little incentive for private land owners to protect the quality of water coming off their lands, beyond doing the bare minimum that may be required by law. Sales of National Forest land could, thus, jeopardize the integrity of watershed protection.

The same basic point applies to BLM lands which contain 86,000 miles of freshwater streams and more than 3 million acres of freshwater lakes.

Recreation: In 1980, there were 230 million visitor days of recreation on the National Forests and 123 million visitor days on the BLM lands. These lands supply a wide range of recreation opportunities, from "developed" recreation at fixed sites like campgrounds and ski areas to "dispersed" recreation on trails and roads. With increased leisure time and interest in the outdoors in the country, demand for recreation is expected to continue to rise rapidly; demand for dispersed camping, for example, is projected to more than double by the year 2030. Since 90% of all Americans live within 200 miles of a national forest, these areas will become increasingly important as people become more energy conscious and seek recreation closer to home.

Sale of public land would be inconsistent with meeting recreation demands. Private land in this country has historically been "open" or "closed" to the public at the nearly absolute discretion of the owner. Sale of National Forest or BLM land would more often mean the end of public access. Instead of trailhead markers there would be "No Trespassing" signs. Keeping public access through easement reservations would be very difficult to enforce once the property has changed hands. Recreation needs would be ill-served with privatization.

Fish and Wildlife. The National Forests and BLM lands provide habitat for a diverse and valuable array of fish and wildlife, including threatened and endangered species such as the bald eagle and red-cockaded woodpecker, big and small-game species such as elk and turkey, anadromous fish which are taken for commercial and sport use, and many others. No single Federal or state agency manages more wildlife habitat than BLM: 248 million acres of big game habitat and 278 million acres of small game habitat. These BLM lands provide essential habitat for one out of five of the Nation's big game animals - including most of the caribou, brown and grizzly bears, and desert bighorn sheep, 50% of the moose, 65% of the mule deer, and 45% of the antelope. The Forest Service manages an additional 147.5 million acres of big game habitat and 43 million acres of small game habitat.

Hunting and fishing on the National Forest and BLM lands have economic as well as recreational value. Between 1967 and 1976, for example, there was a 52% increase in domestic demand for fish products. The 143 million pounds of anadromous fish, primarily salmon, coming each year from streams and rivers in National Forests and BLM lands contribute to meeting this national need. Uses such as freshwater fishing are projected to double by the year 2030.

In contrast with these federal agencies, which coordinate closely with the states to protect fish and wildlife, private landowners are under no obligation to accomodate fish and wildlife habitat. Particularly vulnerable to "privatization," of course, would be habitat for species intolerant of roads and other development. Their populations could greatly sink, thus reducing the diversity of the country's wildlife heritage.

Application of S. Res. 231 to Public Lands Administered by the Departments of Agriculture and Interior

Senate Resolution 231 should totally exempt from its purview all of the public lands administered by the Departments of Agriculture and Interior. This is because existing public land law has already established policy on the retention and management of these lands. As the result of extensive deliberation, Congress has declared that the long term interests of the Nation are best served by maintaining these Federal lands management systems in perpetuity.

Sponsors of the resolution have stated it is their intent to exempt all units of the following public land systems: the National Park System, the National Wildlife Refuge System, the National Wilderness Preservation System, the National Wild and Scenic Rivers System, the National Trail System, National Historic and Natural Landmarks, National Recreation Areas, National Conservation Areas, and all public lands being considered for potential addition to the wilderness system. We certainly agree that these public lands should be exempted from S. Res. 231.

However, the resolution must also totally exempt all public lands in the National Forest System and all lands administered by the Bureau of Land Management. In both of these cases, the Congress has already thoroughly examined and rejected the idea that disposal of these lands would be of greater benefit than maintaining them as permanent Federal land management systems. This was affirmed in the report of the Public Land Law Review Commission in 1970 and in the subsequent enactment of the 1974 Resources Planning Act and the 1976 National Forest Management Act for the National Forests, and in the 1976 Federal Land Policy and Management Act for BLM lands.

The Congress determined that while there may be "modest" amounts of these public lands that are appropriate for disposal, this could responsibly be determined only through a careful land use planning process. Through such a planning process, the BLM and the U.S. Forest Service have been proceeding to dispose of land parcels where appropriate and consistent with existing law. Both agencies are already empowered to use land exchanges and land sales to make needed adjustments in land ownership patterns and where appropriate to serve the national public interest.

For national forests in the West, the General Exchange Act of 1922, as amended, allows for "equal value" exchanges "in the public interest." Similar authority for the Eastern acquired forests is found in the Weeks Law of 1911, as amended. Using these exchange powers, the Forest Service annually acquires an additional 70,000 acres and gives up about 40,000 acres. These exchanges make for more efficient management by securing important inholdings and allowing for boundary changes that better follow natural features. If the lands given up are all sold, with receipts going to the general Treasury, then a vital way to make these block up changes would be lost.

Authority also already exists for the conveyance of small National Forest tracts to communities and school districts for various public purposes. Under the National Forest Townsite Act of 1958, as amended, up to 640 acres at one time are permitted to be sold for communities that need adjacent National Forest land for expansion. These lands must be sold at fair market value. Another statute, the Sikes Act, allows for the conveyance of land to school districts for their use. They may either exchange for these lands or pay for them into a special fund that is used for acquiring needed National Forest additions in the same state. So even lands needed for school districts can be and are made available under current law.

Finally, the Federal Land Policy and Management Act of 1976 (FLPMA) has already established sound policy regarding sale or other disposal of small parcels of BLM land. First of all, section 102(a)(1) establishes basic policy that the bulk of the BLM lands are not appropriate for disposal:

> "The Congress declares that it is the policy of the United States that (1) the public lands be retained in Federal ownership, unless as a result of the land use planning procedures provided for in the Act, it is determined that disposal of a particular parcel will serve the national interest..." (emphasis added).

The legislative history of the Act further reinforces the concept that it was expected that only a modest amount of land would be found to be appropriate for disposal.

Section 203 of FLPMA actually specifies the criteria for determining whether small tracts of the BLM public lands are indeed appropriate for sale. It also mandates fair market value and competitive sale processes when such small tracts are identified. Finally, section 202 of FLPMA establishes a sound land use planning process for determining what small parcels meet the criteria for disposal.

So we see that the resolution should not address public lands administered by the Departments of Agriculture and Interior because existing law has already established sound policy and processes regarding management and disposal of these lands.

Unfortunately, the Reagan Administration's "asset management" program is already undermining public land law for the BLM and national forest lands. As previously pointed out, these laws mandate a sound land use planning process as the basis for deciding what parcels of land - if any - are appropriate for sale. It therefore follows that one must do the land use planning in order to conclude how much acreage in what geographic areas are truly appropriate for disposal. But the land use planning is still underway for many BLM and national forest areas. So there is not a complete data base from which the Administration can legitimately decide how much land should be sold without sacrificing multiple use values, or what price the land might sell for.

Nonetheless, the Administration has already established revenue quotas that the BLM and Forest Service are to meet through land sales. These quotas were obviously arbitrarily derived with no relationship to the process required by law.

Furthermore, the Administration's budgets for Fiscal Years 1982 and 1983 severely reduce funding for the land use planning process. In BLM's case, the proposed Fiscal Year 1983 budget amounts to a 66% reduction in real dollars available for land use planning compared to Fiscal Year 1981. And this severe reduction comes at the very time the Administration is requesting the BLM to conduct accelerated inventories of land that can be sold. Clearly, if BLM responds in the short timeframes mandated by the Administration, it will not be the result of a sound land use planning process required by FLPMA.

Use of Excess and Surplus Property for Park, Recreation, Wildlife Purposes

As part of its "asset management" program, the Reagan Administration announced two major policy changes concerning Federal excess and surplus property:

(1) Federal agencies will be required to pay 100 percent fair market value for any Federal property they wish to acquire that has been declared "excess" by another Federal agency;

(2) except for "exceptional" circumstances, Federal surplus property will no longer be conveyed at discounted prices to state or local governments or nonprofit groups for uses that serve to benefit the public.

Both of these policy changes will have a significant adverse impact on the Nation's ability to meet its growing need for park, recreation, wildlife, and historic preservation lands. As we will demonstrate, the Federal excess and surplus property program has played a vital role in meeting this need in the past.

National Park System

Federal "excess" lands are acquired by the National Park Service in two instances:

(1) lands which are within authorized boundaries of national parks and are transferred either through GSA or directly from the agency which holds title to them;

(2) lands which are not within the boundaries of a national park area but which can be exchanged for private lands within the boundaries of a national park.

Since 1950, approximately one million acres of land have been added to the National Park System for these two purposes. While this is a small percentage of the total system, the transfer program has been a key to establishing national park and recreation areas in urban areas.

For example, Gateway National Recreation Area in New York City received 3150 acres from the Department of Defense. It is currently awaiting the receipt of another 550 acres of Defense lands. These properties within the authorized boundaries of the park would never have been acquired if not for the federal transfer program.

Unacquired military property exists within the authorized boundaries of other National Park Service areas, including national seashores at Cumberland Island, Georgia, Gulf Islands, Alabama, and Cape Canaveral, Florida. It is obvious that it would be prohibitively expensive for the Park Service to acquire these military lands at 100 percent fair market value.

Equally serious is the problem created by eliminating the option of exchanging excess federal lands for privately held land within national parks. In fact, this policy directly contradicts Interior Secretary Watt's new park land acquisition policy which relies heavily on exchanges using federal excess lands rather than direct federal purchase.

Currently, the NPS is conducting several case studies of park areas which are authorized but unacquired. One such example is Kaloko-Honokohau National Historic Park in Hawaii. This park was established by Congress in 1978 with $25 million authorized for land acquisition. Three-quarters of the 1250 acre area is privately owned, with an appraised value of $60 million. The owners are willing to exchange their property for federal excess property of the same value, rather than selling the property to the federal government. If NPS no longer has the ability to acquire private lands within national park areas by exchange, then the cost of this park and others will increase dramatically.

The National Park Service currently has a backlog of more than $1 billion in lands to be acquired within the boundaries of authorized national parks. The Park Service's land acquisition appropriation for FY 1982 is $103 million. If the Service can no longer count on use of federal excess lands to offset some of these acquisition costs, then the backlog will grow tremendously at the same time that the Land and Water Conservation Fund is shrinking.

National Wildlife Refuge System

Since the early 1900's, the U.S. Fish and Wildlife Service has acquired almost 1.4 million acres of excess federal property for wildlife conservation purposes. Over the years, these lands -- valued for their unique wildlife and habitat resources -- have been added to the National Wildlife Refuge System.

All such excess property to date has been located in areas outside of Alaska and today totals about 10 percent of all refuge lands in the lower 48 states. These lands have been of inestimable value to the Service's continuing efforts to promote migratory bird conservation, endangered species protection, public recreation and education, and scientific research.

In OMB Director Stockman's February 25 testimony before this committee, he cited a number of cases of "difficulties inherent in the federal government's real property practices." Specific mention was made of some 500 acres of excess USDA land in Beltsville, Maryland, conveyed to the Department of Interior (DOI) for "development as a wildlife refuge." It was suggested that because there was no associated cost to the receiving agency or consideration of public sale, this transfer failed to promote optimal management of the nation's real property assets, and otherwise, was contrary to the public interest. As well, Mr. Stockman implied that the property review procedures applied in this instance did not adequately provide for responsible disposal of these GSA-managed properties.

On the contrary, the existing policies and procedures provided for this conveyance, which was in the best interest of the public. The appropriate federal agency in fact submitted a formal request for transfer with the GSA pursuant to the guidelines established by the Federal Property and Administrative Services Act of 1949 (P.L. 152-81) and Public Law 80-537 (62 Stat. 240; 16 U.S.C. 6676). This action came only after extensive internal screening by the FWS and determination that the property in question was needed for proper administration of the adjacent Patuxent Wildlife Research Center. This transfer also followed separate and high-level recommendations by both the Nixon and Ford Administrations. President Nixon's Property Review Board first recognized the area's importance to federal wildlife conservation efforts. Later, in a memorandum dated May 27, 1975, President Ford specifically requested that this excess land be made available to the nation's most important wildlife research facility. Today, this area provides an essential resource for the study of endangered species, environmental contaminants, and waterfowl management -- to the ultimate benefit of the American people and the nation's valuable wildlife resource.

Another example of the threat to the integrity of the National Refuge System posed by this Administration's policy on excess federal property is found in a public notice, dated February 3, 1982, which formally announced the intentions of USDI and GSA to transfer title to valuable refuge lands on Matagorda Island to the State of Texas. The proposed Matagorda transfer blatantly disregards federal law and policy governing administration of the National Wildlife Refuge System and related federal wildlife conservation programs.

The expansion of our refuge system will become increasingly important as natural habitats continue to dwindle and as the demand grows for wildlife-related recreation and research. The conveyance and acquisition of suitable excess properties by the U.S. Fish and Wildlife Service must continue expeditiously if federal responsibilities for wildlife conservation are to be met in the future. The need for such utilization of excess federal land resources is particularly apparent today, given the limited funds available for purchase of essential habitat.

State and Local Parks and Recreation Areas

In 1970, Congress enacted legislation to provide that state and local agencies could receive surplus properties for park and recreation uses at up to 100 percent public benefit discount. (Prior to this act, state and local agencies were required to pay 50 percent of the fair market value.) The amendment was an initiative of the Nixon Administration, part of what was to be known as the "Legacy of Parks" program. In his State of the Union message in January, 1970, President Nixon said:

> As our cities and suburbs relentlessly expand, those priceless open spaces needed for recreation and accessible to people are swallowed up - often forever. Unless we preserve these spaces while they are still available, we will have none to preserve. Therefore, I shall propose new financing methods for purchasing open space and parklands now, before they are lost to us.

Nixon followed up on his promise with draft legislation and an Executive Order (#11508) establishing a Property Review Board, which was cited by OMB Director Stockman as a model for this Administration's property board. Nixon's mandate to his Board, however, was a bit different: "Special emphasis will be placed on identifying properties that could appropriately be converted to parks and recreation areas. . ."

The importance of the surplus properties program and the limitations of the then-existing 50 percent discount program were discussed at hearings on the 1970 legislation. Congressman Charles Bennett, sponsor of the legislation, urged his colleagues to meet President Nixon's State of the Union challenge: "Clean air, clean water, open spaces - these should once again be the birthright of every American. If we act now they can be" by providing for the sale of surplus federal property to augment park funds and to provide for such sales to state and local governments for park and recreation purposes at public benefits of up to 100 percent.

The Administration's witnesses explained the need for the program: Robert L. Kunzig, Administrator of GSA:

> The burgeoning population, the ready availability of transportation, increased leisure time, greater incomes, and an increasing awareness by the public of the need to restore and preserve our national environment have placed a heavy demand on the Nation's existing park and recreation facilities. Because of the increased demand for more park and recreation facilities, coupled with the sharp escalation of real estate prices in recent years, it is imperative that surplus Federal lands be used to the maximum practicable extent in both urban and rural areas for park and recreation purposes.

Harrison Loesch, Assistant Secretary for Public Land Management, Department of the Interior:

> For some time we have been interested in state and local governments having a greater role in meeting park and recreational needs. While they readily recognize the pressing need to acquire and develop park and recreation areas, their financial resources are being drained by other governmental requirements. This financial problem, considerably aggravated by the constant escalation of land values, has often precluded state and local governments from taking advantage of the existing 50 percent discount on surplus federal property suitable for park or recreation uses.

Signed into law in October 1970, the new program was quite successful. By September 1976 the Nixon and Ford administrations had converted over 82,000 acres in all fifty states plus territories into over 600 parks, the majority of them in or very close to urban areas. Examples of program accomplishments to date include:

* Fountain Valley, Orange County, California: 507 acres of a 633-acre marine helicopter landing field, for a recreation complex;

* Fairfax County, Virginia: with a population of over one-half million, 1,262 acres of Navy property, for nature conservation and an equestrian complex.

* 2000-acre portion of the Energy Research and Development Administration's Argonne National Laboratories in populous Du Page County southwest of Chicago, for boating, fishing, hiking-nature bridle trails, environmental education.

* Post Office, Thomasville, North Carolina: one acre of land and the former post office, for a community recreation center.

* Fort Custer Military Reservation, Michigan: 2,937 acres of mixed forested and open meadow lands, with numerous lakes, for a major state park.

* Camp Pendelton, California: 6.5 miles of public beach along the Pacific Ocean.

* Camp Elliott, San Diego, California: 703 acres within the city limits, for a major park.

The cessation of this program, which has already occurred informally, will cripple state and local park programs already in serious trouble due to the elimination of state Land and Water Conservation Fund monies, state budget cuts, and escalating land costs. State and local agencies cannot compete in the marketplace with private investors, not only because of limited funds but also because of the slow pace of the decision-making and appropriations process and statutory prohibitions on paying more than the appraised value for property.

Conclusion

The present policy of putting excess and surplus federal lands to park, recreation, historic preservation, and wildlife conservation purposes is long-established and has been supported and advanced by both Republican and Democratic administrations. In fact, the impetus for establishing national recreation areas in urban centers on federal lands was generated by President Nixon. The greatest progress in providing surplus lands to state and local governments for a "legacy of parks" was made during the Nixon and Ford administration. Congress, too, has repeatedly and recently affirmed the paramount importance of this policy. For example, the National Parks and Recreation Act of 1978 states,

> It is the established policy of Congress that wilderness, wildlife conservation, and park and recreation values of real property owned by the United States be conserved, enhanced, and developed. It is further declared to be the policy of Congress that unutilized, under utilized, or excess Federal real property be timely studied as to suitability for wilderness, wildlife conservation, or park and recreation purposes. To implement this policy, the Secretary, the Administrator of General Services, and the Director of the Office of Management and Budget shall establish a system with appropriate procedures to permit the Secretary full and early opportunity to make such studies and propose appropriate recommendations to disposing agencies for consideration in connection with determinations of further utilization or disposal of property under existing law. Each affected executive agency is authorized and directed to provide to the Secretary such advice and information relating to such studies as the Secretary may request. (PL 95-625, Sect. 303(c))

The current Administration's decision to require the Department of the Interior to pay 100 percent of fair market value for potential park and refuge lands excessed by other agencies and to eliminate discount conveyances for park, recreation, historic preservation and wildlife conservation to state and local governments flies in the face of sound resource use, long-established executive and Congressional policy, and the economic reality which is undermining our ability to meet growing recreation needs.

We urge the Committee to direct ~~the~~ Administration to reverse their decision. Rather than eliminating discounted transfers of excess and surplus properties for park, recreation, historic preservation, and wildlife conservation purposes, we urge that the criteria for evaluating these transfers be tightened so that federal land resources especially valuable for these purposes can continue to be transferred at discounted cost to financially pressed federal, state, and local agencies.

Impact on Land and Water Conservation Act

Finally, we wish to point out that the Administration's asset management program and S. Res. 231 could have an adverse impact on the Land and Water Conservation Fund. Currently, a portion of receipts from sale of surplus properties are credited to the Fund. Some supporters of the asset management program and of S. Res. 231 have talked of enacting legislation to direct that all receipts from sale of surplus property would be applied to reduction of the national debt. We urge the Congress not to enact legislation which would alter the amount of revenue available to the Fund each fiscal year from its current authorized annual level of $900 million.

In our judgment, the Land and Water Conservation Fund has been one of the most important and effective conservation laws in our history. It has made it possible to acquire park lands, wildlife habitat, scenic rivers, trails, lakeshores, and seashores to be managed by the National Park Service, the Fish and Wildlife Service, the U.S. Forest Service, and the Bureau of Land Management. About 3 million acres have been purchased by these agencies since 1965. The National Park Service depends solely on the Land and Water Conservation Fund for acquisition money. Cape Cod National Seashore, Redwood National Park, the Appalachian Trail, and many other national treasures have been protected largely through Land and Water funds. The state matching grant program within the Land and Water Conservation Fund has also had an impressive record. Since 1965, about 27,500 state and local park planning, acquisition, and development projects have been completed and more than 2 million acres of land have been protected based on the judgment of the people of each state as to how to best serve their conservation interests.

This program is in itself an impressive forerunner of what President Reagan likes to call the "New Federalism."

The inescapable conclusion to be drawn, Mr. Chairman, is that the Land and Water Conservation Fund has been one of the most important and successful programs this nation has undertaken in the last 20 years.

From the beginning the theory behind the Fund has been that America should reinvest a portion of the revenues received from offshore oil and gas reserves in onshore land preservation and outdoor recreation opportunities. In our judgment, it is clearly in the national interest to continue the Fund through its authorization date of FY89 without major amendment.

To further address the Land and Water Conservation Fund, we have appended The Wilderness Society's testimony on the Fiscal Year 1983 budget for the National Park Service.

ATTACHMENT

Source: An Analysis of the Timber Situation in the United States, 1952-2030 (USDA, 1980) at 32

Table 4.20----Sawtimber supplies, net annual growth, and sawtimber inventory in the Douglas-fir region, by ownership and softwoods and hardwoods, 1952, 1962, 1970, and 1976, with base level projections to 2030.

(Million board feet, International ¼-inch log rule)

Item	1952	1962	1970	1976	Projections				
					1990	2000	2010	2020	2030
National Forests:									
Softwoods:									
Sawtimber supplies----------	2,371	3,861	3,415	3,423	4,012	4,225	4,168	4,038	3,882
Net annual growth----------	1,065	1,126	1,467	1,320	2,146	2,641	3,009	3,230	3,213
Inventory------------------	293,206	290,310	273,609	270,762	220,983	202,437	187,470	176,762	168,545
Hardwoods:									
Sawtimber supplies----------	[1]	6	19	3	5	5	7	5	3
Net annual growth----------	68	80	62	62	1	-12	-17	-20	-21
Inventory------------------	4,036	5,040	5,538	5,282	5,066	4,878	4,617	4,340	4,052
Other public:									
Softwoods:									
Sawtimber supplies----------	1,087	1,950	2,444	3,102	2,507	2,479	2,561	2,632	2,711
Net annual growth----------	1,522	1,738	1,910	1,961	2,280	2,451	2,602	2,718	2,814
Inventory------------------	123,953	118,470	113,743	108,422	108,425	106,973	107,387	108,546	110,507
Hardwoods:									
Sawtimber supplies----------	22	8	36	47	57	60	61	62	64
Net annual growth----------	126	193	285	277	126	75	53	41	33
Inventory------------------	3,110	4,543	6,122	6,921	8,424	8,474	8,273	7,974	7,658
Forest industry:									
Softwoods:									
Sawtimber supplies----------	8,257	6,317	8,123	8,409	5,713	4,704	3,558	3,393	2,948
Net annual growth----------	1,840	2,043	2,287	3,277	2,862	2,693	2,530	2,351	2,182
Inventory------------------	214,232	171,505	142,844	124,702	87,409	70,608	57,140	47,141	39,623
Hardwoods:									
Sawtimber supplies----------	71	80	142	120	162	178	176	163	146
Net annual growth----------	210	311	407	482	333	241	173	124	89
Inventory------------------	6,382	8,766	10,718	9,620	12,724	13,667	13,791	13,349	12,727
Farmer and other private:									
Softwoods:									
Sawtimber supplies----------	1,832	1,121	1,418	1,153	1,166	1,145	1,102	1,058	1,021
Net annual growth----------	1,291	1,551	1,794	1,743	1,372	1,139	997	914	867
Inventory------------------	52,336	49,500	52,369	42,168	44,839	43,356	41,227	39,161	37,320
Hardwoods:									
Sawtimber supplies----------	17	83	64	139	136	144	146	146	146
Net annual growth----------	354	477	576	482	358	273	215	179	157
Inventory------------------	9,790	12,688	15,495	11,679	13,525	13,803	13,775	13,633	13,461
Total Douglas-fir region:									
Softwoods:									
Sawtimber supplies----------	13,547	13,249	15,400	16,087	13,398	12,553	11,788	11,121	10,561
Net annual growth----------	5,718	6,458	7,458	8,301	8,659	8,924	9,137	9,214	9,076
Inventory------------------	683,727	629,785	582,565	546,054	461,656	422,774	393,224	371,611	355,995
Hardwoods:									
Sawtimber supplies----------	110	175	261	309	360	387	390	375	359
Net annual growth----------	758	1,070	1,330	1,303	818	577	424	323	257
Inventory------------------	23,318	31,037	37,873	33,502	39,739	40,821	40,456	39,297	37,898

[1] Less than 0.5 million board feet.

Note: Supply data for 1952, 1962, 1970, and 1976 are estimates of the trend levels of harvests and differ somewhat from the estimates of actual consumption shown in some tables in other chapters. For the projection years, the data show the volume that would be harvested given the assumptions of the study. Inventory data for 1952 and 1962 are as of December 31. Inventory data for 1970 and the projection years are as of January 1. Inventory data shown under 1976 are as of January 1, 1977.

Atch. 1

THE WILDERNESS SOCIETY

FOUNDED IN 1935

TESTIMONY BY RONALD J. TIPTON, NATIONAL PARKS ISSUES SPECIALIST, THE WILDERNESS SOCIETY, BEFORE THE SENATE APPROPRIATIONS INTERIOR SUBCOMMITTEE, ON THE FY'83 BUDGET REQUEST FOR THE NATIONAL PARK SERVICE, MARCH 2, 1982

Mr. Chairman and members of this Subcommittee, I am Ronald J. Tipton, National Parks Issues Specialist for The Wilderness Society. I would like to testify today on two major aspects of the FY'83 budget request for the National Park Service: the Park Restoration and Improvement Program (PRIP) and the Land and Water Conservation Fund.

In our judgment, the Administration's requests for each of these programs cannot be defended. As you are aware, the Administration has asked for $191 million in money for Park Service construction, $105 million of which is requested for PRIP. Everyone agrees we should make the capital improvements necessary to meet basic life, health and safety standards -- that is not at issue. What we are concerned about is that much of the PRIP money would go for road construction and other major capital improvements which are clearly not high priority, immediate needs. There are at least $30 million in this request for road construction alone.

At the same time the Reagan-Watt Administration has virtually ignored the urgent need to institute important new programs to protect the natural and cultural resources of the parks from degradation. During the past month, the House Public Lands and National Parks Subcommittee has held four day-long hearings on the external and internal threats to park resources. The record of those hearings is clear and it is incontovertible: unless serious attention is focused on mitigation and prevention of permanent damage to the natural and cultural resources in the parks by the Administration and the Congress, serious damage will occur.

Yet Secretary Watt has no program for coping with this situation, in part because he doesn't understand the problem, and partly because he is not concerned about preserving anything but park facilities. It is very revealing of his real feelings about this subject that Secretary Watt has asked for almost no money to be spent from the PRIP program on resource threats mitigation and prevention.

We recommend that you spend at least $25 million of the request for Park Service Construction funds on resource threats programs. Funds are needed to:

- o Hire additional resource management staff. The Park Service is woefully inadequate in this area.

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- pay for natural and cultural resource management needs already identified by Park Service professionals in a 1981 follow-up report to the 1980 State of the Parks survey. In early 1981, NPS staff reviewed 266 "Significant Resource Problems" and put 63 of these in the "minimum essential" category. These at a minimum should be funded.

- continue and expand air quality, acid rain and other base-line research needs. A proposal by the Park Service to contract with the National Academy of Sciences for an assessment of NPS science and research needs should be funded in 1983.

- restoration of important cultural and historic facilities which are now being allowed to deteriorate.

We would encourage the Subcommittee to make an independent appraisal as to how the Park Service can best spend FY'83 funds on resource threats assessment, prevention and mitigation. Unless this problem is addressed now and priorities are rearranged, we may be left with a "first-rate plumbing system in a second-rate park system," to quote our Chairman, Gaylord Nelson.

The Land and Water Conservation Fund

For the second consecutive year, the Administration has not requested adequate appropriations for the Land and Water Conservation Fund to even pay for anticipated court awards. The Reagan/Watt request for the Fund does not include any new acquisitions except for $3.8 million for national park inholdings. This is not a budget request to be taken seriously.

Last year the Congress appropriated significantly more than the Administration request for the federal share of the Land and Water Fund, yet it was not nearly enough to cover all of the high priority acquisitions for any of the four agencies affected. For example, the Appalachian Trail, Santa Monica Mountains National Recreation Area, Big Cypress National Preserve and Biscayne National Park all needed significantly more money than they received. The Park Service Appalachian Trail protection effort, a project I am personally familiar with, received only $2.69 million, which it is almost certain to have spent completely before the end of this fiscal year. Yet there are many willing sellers and a number of areas on the Trail where one or a few tracts are needed to complete the Trail corridor.

As part of its Alternate Budget Proposals for the Environment, which was released yesterday, The Wilderness Society and 10 other conservation organizations have recommended an appropriation of $400 million for the Land and Water Fund. We did not simply pick this number out of the air; rather it is based on countless hours of hard assessment of Park Service, Forest Service, Fish and Wildlife Service, and BLM needs for FY'83. We based our assessment on several criteria, including threats to the resource, need to continue acquisition for purposes of continuity, hardship, and amount of likely deficiency judgments. The organizations who have carried out this analysis will make available to this Subcommittee in the near future a project list of our recommendations for federal acquisition in FY'83.

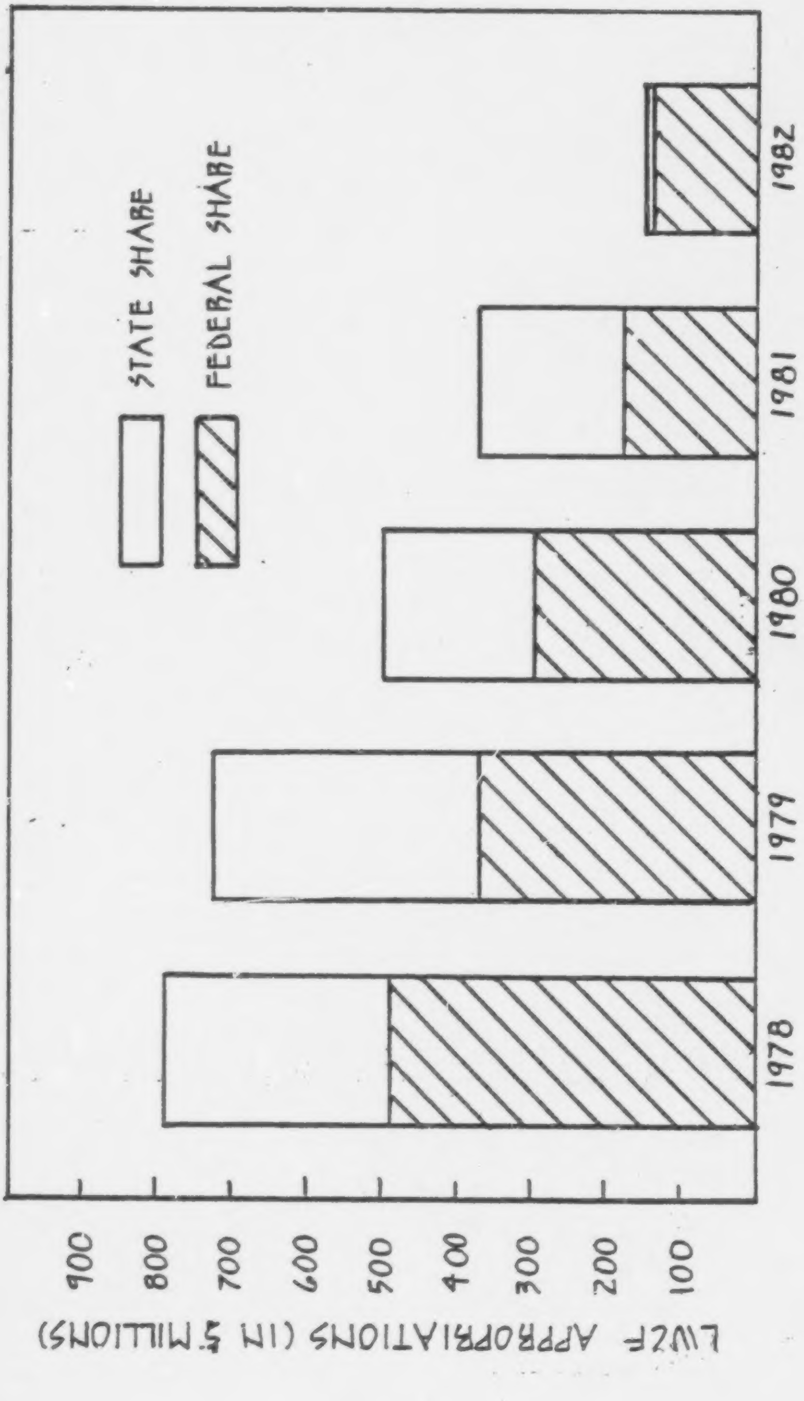
I have attached to my testimony a bar graph which displays the level of appropriations for the Land and Water Fund for the past five fiscal years. It is a starkly downward trend, and it indicates that Congress has been extremely conservative in making funds for the Land and Water Fund available. If we are to realize the noble objectives the Fund was set up to achieve, this pattern must be reversed.

The Park Service has an unappropriated backlog acquisition currently valued at $800 million -- $1 billion, not including Redwoods National Park. It would be good conservation and sound fiscal and government policy for this Subcommittee to appropriate $200 million a year for the next four fiscal years in order to virtually eliminate this backlog. We understand fully the difficulty of making this amount of money available in FY'83. Yet we also understand how important it is to protection of the National Park System for this to occur. In a time when new parks are not being authorized, it is important for the federal government to acquire and protect those areas it has already added to the system.

We would also urge the Subcommittee to adequately fund administration of National Park acquisition. The Administration's budget request for the Land and Water Fund identifies a 77-person Reduction-in-Force. This would mean that the acquisition staff for a number of projects would be greatly reduced or eliminated. This would in effect prevent these projects from being completed as Congress intended, and also would limit the ability of the agencies to work on manpower-intensive alternatives to fee acquisition such as land exchanges.

Finally, let me underscore our organization's commitment to and support for the State share of the Fund. We hope the language in the FY'82 Interior Conference report indicating the cut-off of state funds is intended to be limited to one year is accurate, and that funding is restored in FY'83. Many state park planning, acquisition and development programs are likely to be eliminated if Land and Water Funds are not appropriated for FY'83.

Attachment



LAND & WATER CONSERVATION FUND APPROPRIATIONS

NATIONAL WILDLIFE FEDERATION
1412 Sixteenth Street, N.W., Washington, D.C. 20036 202—797-6800

TESTIMONY OF DUSTY ZAUNBRECHER
ON BEHALF OF THE NATIONAL WILDLIFE FEDERATION
BEFORE THE SENATE COMMITTEE ON GOVERNMENT AFFAIRS
ON S.R. 231, MANAGEMENT OF FEDERAL ASSETS - DISPOSAL OF PUBLIC LANDS

MARCH 18, 1982

Mr. Chairman, I am Dusty Zaunbrecher, Resource Specialist for Public Lands for the National Wildlife Federation. The Federation is a private non-profit conservation-education organization with over 4.5 million members and supporters located in all 50 states, Puerto Rico, Guam and the Virgin Islands. We maintain a permanent and active public lands program in Washington to educate our members and to work with Congress, executive agencies and in the courts on the management of our public lands - parks, refuges, national forests, national resource lands managed by the Bureau of Land Management, and those conservation units in the National Wilderness Preservation System. Specific policy guidance is provided to our staff in Washington by state affiliate representatives who meet yearly to adopt resolutions on current conservation issues.

Last year the Federation membership endorsed the following statement on the disposal of lands presently in federal ownership, which is the subject of Senate Resolution 231:

> The National Wildlife Federation continues to oppose the transfer of federal lands other than those heretofore authorized by Congress to the states and private interests.

100% reclaimed paper

I would like to briefly review the history of public land disposal and describe the provisions and effects of S.R. 231 and similar initiatives underway in the Administration which run counter to NWF's position.

Throughout the 19th Century the public lands were used as an incentive to spur the development of the West. The Bureau of Land Management's predecessor, the General Land Office, had as its primary mission the disposal of the public domain. By the turn of the century the most valuable parcels were given or sold to the states and private interests or set aside for specific purposes by the Federal Government. It was during this era of disposal that the term "doing a land office business" was coined to describe any kind of feverish activity. In a little over a century, over 1.1 billion acres were sold or given away. Over 70% of the land once in the public domain in the lower 48 states was sold or given to states and corporations for internal improvements and to individuals.

This period of rapid disposal yielded to an evolutionary period of modified disposal and eventual reversal of the disposal policy. Through the Taylor Grazing Act, the Classification and Multiple Use act, and the report of the congressionally authorized Public Land Law Review Commission, the nation developed a land management ethic which favored retention of public lands in recognition of their value to the nation. The culmination of this evolving ethic was the passage of the Federal Land Policy and Management Act of 1976 (FLPMA) which formally and finally articulated as federal policy tnat the public lands will be retained in federal ownership under the principles of multiple use and sustained yield.

While FLPMA's policy emphasizes retention, it also provides for disposal of public land at fair market value where there is a demonstrated need or public purpose to be served and when the transfer is clearly in the national interest. Such disposal actions must be consistent with BLM's area-wide planning process. This process includes multiple use considerations. It also emphasized the importance of public participation in land use planning and decision-making procedures. It is important to note that FLPMA defined multiple use as management "with consideration given to the relative values of the resources and not necessarily to the combination of uses that will give the greatest economic return." In other words, Congress gave weight to fish and wildlife, watershed, recreation, scientific, natural and scenic values to help counterbalance exploitative uses of the public lands. We consider this a landmark in the evolution of the government from an economically-focused landlord to a steward of public lands.

Conservationists are naturally apprehensive to see that the government is preparing to literally do a "land office business" again. Our first concern is that the national resource lands sustain one out of five of America's big game animals including most of the caribou, brown and grizzly bears, desert bighorn sheep, 50% of the moose, 65% of the mule deer and 45% of the antelope. These lands contain 47 million acres of wetlands, 30 million acres of riparian wildlife habitat, 669,000 acres of streams and 5 million acres of lakes and reservoirs. The Bureau of Land Management is the custodian of more wildlife habitat than any other federal or state agency. It is the caretaker of this nation's wildlife heritage.

Recreation visits to the national resource lands totalled 80 million in 1979. Some of the recreation resources on public lands are: 30 special recreation areas totalling 3.1 million acres; the California Desert Conservation Area with 12 million acres; 45 recreational and white water rivers including four designated National Wild & Scenic Rivers and 16 candidates for this status; 216 miles of designated National Recreational Trails; 250 primitive campgrounds; 250 developed campsites; the Kind Range National Conservation Area covering 30 miles of Pacific Coast beach; and the proposed Snake River Birds of Prey Conservation Area in Idaho, one of the most significant ecosystems in the world for hawks, owls, eagles and other raptors.

We are concerned because some of these important wildlife habitat and public recreation areas meet the so far ill-defined criteria for disposal contained in S.R. 231, the Administration's proposed FY'83 budget, and the recent Executive Order setting up a Property Review Board to initiate a land disposal program.

We perceive two characteristic themes of these land disposal initiatives. One is to sell "excess" or "residual" lands as a class of underutilized property to help balance the federal budget. The other is to "privatize" the remaining national resource lands because public ownership is inherently unproductive and inefficient. These two themes feed and grow on each other, and are both supported at high levels in government.

The following quotations from persons who are in a position to influence government land management and disposal policy will illustrate this point.

First, from Steve Hanke, an economist with the President's Council of Economic Advisors, in a magazine article entitled "Privatize Those Lands - A Message to Sagebrush Rebels":

> The only way to improve the productivity and efficiency of public lands is to privatize them. Until we begin to privatize the public lands we will not have accomplished anything of real value.
>
> -- March, 1982, Reason Magazine

Second, from Dean Rhoads, a Nevada Assemblyman and Chairman of President Reagan's Federalism Advisory Subcommittee on Lands and Water. He is also considered by many to be the intellectual beacon and chief strategist of the sagebrush rebellion.

> Although the privatization idea has been around a long time, this type of land sales, as I envision it, would be unique in American history. A detailed land inventory will have to be conducted, such as that suggested in the resolution by Senator Percy and Representative Winn. Land privileges would then be sold. As an example, say you have a ten thousand acre piece of federal land. This land has timber, grazing, oil, minerals, wildlife, recreation, etc. The present users of these lands would have first option to purchase. The rancher would purchase the grazing rights only, the timberman would purchase the timber and so on.
>
> -- Coalition Comments, Vol. 4, No. I, Jan. 8, 1982

> To get that 170 million acres on the auction block will be a fight. But we've got a shot at it.
>
> -- Public Land News, Feb. 4, 1982

The Federation must oppose both of these ill founded rationales. The first is based on the idea that the disposal of entire classes or categories of public lands is an acceptable way to raise revenues.

We oppose it because it appears to bypass multiple-use planning and the critical site specific public scrutiny such planning involves. We oppose it because our members believe that public interest values must be the first consideration in public land management whether that land is antelope and cattle range in Nevada or an undisturbed greenbelt in Beltsville, Maryland which contributes to the quality of life of residents in that part of Washington's metropolis. We do not believe that there are absolute categories of land which can be disposed of in the public interest. There are only individual parcels which must meet a stricter test than that their disposal will raise significant revenues.

We find the second theme, that government ownership of land is inefficient and therefore should be abolished, particularly abhorrent. No category of landowner, not the federal land managing agencies nor private individuals, has a monopoly on efficiency or good management. The Federation believes America presently has too many economic landlords and not enough good stewards of the land. Maximizing profits from land ownership is the reason prime farmland is converted to condominiums and parking lots and wildlife-abundant bottomland swamps are converted to soybean fields. Stewardship, in the other hand, is the reason the BLM protects the Snake River Canyon Birds of Prey Area from incompatible development, because it is in the public interest to do so, despite the fact that the benefits may be unquantifiable in market terms.

We are also concerned about these proposals because they portend a massive disposal program which discounts the public interest in renewable resources management. The Administration's budget target for 1984 is $4 billion. The Executive Order issued on March 1, 1982 calls for the setting of "target amounts" of property to be identified as disposable. S.R. 231 repeatedly stresses "true value," "tangible assets" and "maximum benefit" management. No where do we observe the overall public interest in wise land management as criteria for retention. These initiatives contain only budget criteria with no assurances that the door will be closed once so-called excess or residual public lands are disposed of. What will keep the revenue targets and the amount of land to be disposed of from sliding upward, as they always seem to do, in the future?

In order to make significant progress toward the budget goals which were mentioned by OMB Director Stockman in testimony before this Committee, an enormous amount of land would have to be actually sold, and an even greater amount of land would have to be offered for sale. If past prices for BLM land in marketable urban expansion areas is any guide, land which may be central to the mission of BLM and the Forest Service might have to be put on the auction block.

In the past seven years BLM has sold 20,000 acres at market value under FLPMA mandated sales procedures at an average sale price of $894 per acre. At this rate, as much as 2 million acres per year of non-GSA property would have to be sold to achieve OMB's expectations. It's anyone's guess as to how many more millions of acres would have to be offered to reach the 2 million actual sale goal.

Though these figures may not represent the actual acreages which will be involved, it is clear to us that the government will have to do a "land office business" to even approach the stated budget goals.

If this is only a fair approximation, we wonder about the opportunities such a disposal trend offer to the sagebrush rebels, the public land privateers who will enthusiastically endorse dis-enfranchising the public of their remaining national resource lands for any plausible reason. The protections against sagebrush rebels masking as fiscal conservatives, such as those quoted earlier, are found in current law which emphasizes land use planning, multiple use and public participation on site specific disposal actions.

The Federation would like to be assured that any subsequent legislation introduced on the subject of land disposal retains these safeguards.

A typical Federal Register notice may contain a half dozen public land disposal actions to states, counties or individuals. In nearly all cases, we are satisfied that the public interest has been satisfied because of the way the parcels are evaluated. Therefore, it cannot be said that the Federation opposes the disposal of excess federal property when it is accomplished through a procedure which assures that the public interest is measured in more than short-term economic terms. It is the long-range productivity of renewable resources and the prudent use of non-renewable resources we seek to protect.

PREPARED STATEMENT OF DEBBIE SEASE, SIERRA CLUB

Mr. Chairman, Members of the Committee:

I would like to thank the Committee for providing the Sierra Club this opportunity to express its views on federal land sale proposals. The Sierra Club is a conservation organization with some 280,000 members nationwide. We are most appreciative of your continued efforts to seek constructive comment from conservation organizations on this important issue.

All of the various "privatization" proposals for selling federal lands to offset the national debt raise serious concerns for our organization. This statement will focus on S. Res. 231 and the administration's Real Property Management Program. I am sure there are many individual aspects of these proposals which we can agree upon, for there are certainly parcels of property owned by the federal government that should be sold. However, the underlying premise of "privataization" is one with which we strongly disagree, and which runs counter to most of the public land legislation of the last few decades. That premise, as it is reflected to varying degrees in all of the proposals, is that public property should be managed for its highest economic return.

Economic return cannot be used as the sole yardstick for measuring public benefit from federally owned property. Public benefit must be computed using a more complicated formula which considers other values, for what serves the public interest does not always provide the highest economic return. The public interest may at times be best served by using a particular parcel for a park, a hospital, or other use that may not be as economically attractive as private development.

Our most serious concern with the various privatization proposals is their potential effect on public lands managed by the Bureau of Land Management and the U.S. Forest Service. The Real Property Management Program relies on significant sales from these two agencies, and S. Res. 231 as introduced would call for an inventory of lands managed by those agencies. We hope that any legislation developed by this committee on this issue will offer express protection for the public lands from those who would use this process to effect their disposal, and will reaffirm the policy of retention and management of the public lands.

As I noted earlier, there is property owned by the federal government that we can all agree is not in the public interest to retain. It then becomes a matter of determining which kinds of properties should be reviewed for possible sale, and arriving at an acceptable process for deciding whether the given property should be retained, transferred to another federal, state or local agency for public benefit use, or sold. These are not simple determinations to make, and laws and regulations have been devised over the years to ensure that such determinations include consideration of the full range of public benefits from federally owned property. We would support improvement in the implementation of these processes, but we would oppose any legislation that would eliminate these safeguards or that would establish economic return as the primary criteria for evaluation.

We agree with the determination reflected in Senate Resolution 231 that lands managed by the National Park Service should not even be inventoried. We urge that all lands managed by the Departments of the Interior and Agriculture also be excluded from such an inventory.

This is not to say that there are no lands managed by the Bureau of Land Management and the Forest Service that should be disposed of -- clearly there are. Rather, there are acceptable processes already in place to make these determinations. It has been pointed out that these processes are cumbersome and slow, and need to be streamlined. The major reason that the process for disposing of public lands managed by these agencies is slow, is that it is necessary to go through an exercise of thoroughly evaluating the benefits of these lands, and to dispose of lands only where it can be demonstrated that it is not in the public interest to retain them. Such an evaluation is of necessity slow.

The issue of whether the bulk of the public lands managed by BLM should be retained or disposed of was the subject of years of debate. The culmination of this debate was a declaration of policy in the Federal Land Policy and Management Act of 1976 (FLPMA), that it was in the national interest to retain the public lands managed by the Bureau of Land Management. Recognizing that there were individual parcels that would be an exception to that policy, FLPMA established a procedure (Section 202) for identifying those parcels that should be disposed of. Last year, BLM sold some 200,000 acres of public lands through this process, with virtually no opposition from conservation groups.

Any signifcant acceleration of the sale of BLM lands would sacrifice the thorough evaluation that is called for in Section 202 of FLPMA, and would jeopardize the policy established by Congress in that Act of retaining the public lands, except for those parcels that through the land use planning process were determined to not serve the national interest in public ownership.

The "privitazation" proposals also call for selling isolated and scattered tracts of National Forest lands. It is currently the practice of the Forest Service to use these isolated tracts as trading stock to obtain private inholdings within National Forest boundaries. It is surely preferable to arrange for such exchanges than for the Forest Service to have to buy these inholdings. We urge that, until the Forest Service has completed the process of consolidating its holdings, these valuable parcels not be disposed of.

The nation's public lands are a priceless national trust, and should not be lightly disposed of. They deserve the full consideration afforded by current disposal processes. We will vigorously oppose any significant acceleration of that process.

President Reagan's FY 83 budget sets ambitious goals for revenues to be generated in the next five years through the sale of federal property, and estimates that 50% of those revenues will come from the sale of BLM and Forest Service lands. We find these goals extremely alarming, for it would be virtually impossible to raise some $9 billion from the sale of only those public lands that are truly not in the public interest to retain. Unfortunately, the very lands that would generate such funds are those that have valuable resources, and should be retained in the public trust and managed for public benefit.

The public lands that everyone agrees do not serve the national interest in public ownership are generally those with little or no resource value and that are scattered, isolated small tracts which cannot be managed by the agency. These lands may truly be called, "the lands no one wants", and as a result do not generally command high prices.

Total receipts from the Bureau's land sales program for the last seven years has been only $17.9 million.

Public Lands Statistics

Fiscal Year	Number of Sales	Acres Sold	Receipts
1981	40	4,313.5	$2,868,087
1980	150	3,711.0	7,326,599
1979	82	1,638.8	6,480,499
1978	14	693.8	82,585
1977	26	1,270.6	284,964
1976	80	3,641.4	584,751
1975	60	4,736.5	233,438

This is not an indication that there is something drastically wrong with the land sales program, but an indication that there is little demand for the properties that the bureau should dispose of. In most cases, if it is not valuable for the public to retain, it is not particularly valuable to private interests. There are exceptions to this, examples where highly desirable land for private development is located next to expanding communities, and these parcels fetch an attractive price. It is, however, totaly unrealistic to assume that these exceptions are the rule and to project that the sale of such lands could generate $9 billion dollars in the next 5 years, and increase of more than $8.8 billion from the previous seven years.

To demonstrate this point, let me quote from a January 10, 1982 letter to Mr. Steve Hankie, Council on Economic Advisors, from the Bureau of Land Management's Associate Director for Lands and Realty:

> "- Lack of Demand - Much of the public land sold in recent years is close to communities and needed for community expansion. Even with land in a desirable location, the demand is low. As an example, some 695 acres in 91 separate parcels were offered for sale near Las Vegas, Nevada, in September 1981. About 125 people attended the sale and 36 were registered to bid on the land. Only one parcel containing 2.5 acres sold. Minimum bid was set at $33,450 and the purchase price paid by the high bidder was $37,600."

This indicates that low demand is one of the primary impediments to an expanded land sale program within the bureau. To solve this problem by putting lands that are in the national interest to retain on the auction block is completely unacceptable. This is, however, an inherent danger in the unrealistic goals established in the Real Property Management Program.

The above discussion should clarify the Sierra Club's position with regard to the sale of public lands managed by the Departments of the Interior and Agriculture. In summary, while we agree that there are lands within both of these departments that should be disposed of, and support the current programs that are effecting that necessary disposal, we would oppose any significant expansion or acceleration of land disposal with the Departments of the Interior and Agriculture.

The question has been posed to conservation groups, "For what classifications of lands do you support sale?". This is not a question that can be answered simply, because within each of the land classifications where we could generally support sale of property there are exceptions. For example, we generally agree that much of the lands listed as surplus and excess by the GSA should be sold. But there are notable examples of GSA properties in virtually every state that have been transferred to state and local governments for park and recreation uses. Such transfers help to provide open space and recreation lands in parts of the country where the abundant public lands that are enjoyed in the west are not available, and are an appropriate disposition of these lands.

Similarly, excess Department of Defense lands have been transferred to states and local communities for parks -- for example, Discovery Park in Seattle and Anza Borrego State Park in California. We would argue that neither of these properties should have been sold. Rather, their transfer to the City of Seattle and the State of California, respectively, was the use most in the public interest.

There are also instances where what is excess to one federal agency is needed by another. A case in point would be the Matagorda Air Force Base. Although unneeded by the Air Force, this land makes an admirable addition to the existing Aransas National Wildlife Refuge, providing additional habitat for the endangered Whooping Crane. To sell this land for possible development would not be in the national interest. However, this is one of the properties in the surplus properties list attached to S. Res. 231.

These examples demonstrate that it is impossible to identify entire categories of lands that are unquestionably appropriate to sell. We are therefore left with the question of what criteria can be established within categories where some lands should be sold to make those specific determinations. As noted earlier, there is already a workable process in effect for BLM lands (Section 202 of FLPMA) and for National Forest lands (exchange).

This committee has cited examples to demonstrate that the process for selling GSA surplus properties has flaws and has, in the past, been abused. We agree that this process can be improved upon, and we will be happy to work with the Congress to seek an improved method for the disposal of surplus GSA and Department of Defense properties, but that method must provide assurance that the full range of public benefit will be assessed in determining how to dispose of surplus property. Unquestionably, some of that property should be sold, but there are instances where the surplus property should be transferred to another federal agency or to state or local government for public benefit uses. We would oppose any proposal that eliminates the opportunitiy for such transfers where appropriate.

One of the major complaints regarding the current land sales program for both GSA and the public lands under the Department of the Interior is the allocation of funds generated by such sales. Currently all proceeds from GSA sales go to the Land and Water Conservation Fund, and most of the proceeds from BLM land sales go to the reclamation fund. We would support modification of these allocations, and agree that some portion of these sales could well be applied to the national debt. As this committee develops detailed language on this, we would be pleased to offer constructive comment.

In summary, the Sierra Club's position on federal land sale proposals described in S. Res. 231 and the Real Property Management Program is as follows:

- We support the policy of retaining the public lands, and oppose any significant expansion of the current land disposal programs of the Forest Service or Bureau of Land Management.

- We support the sale of excess and surplus GSA properties, so long as the option of transfer to other state, local or federal agencies, when appropriate for park, recreation or other public benefit use is protected.

- We support modification of existing allocation procedures to allow some portion of the receipts from federal land sales to be applied to the national debt.

Finally, the Sierra Club recognizes that these are times of economic crisis, and that it is important to manage our assets in a prudent manner. We therefore urge this committee to turn its attention to the current fiscal management of the public lands which provides subsidies to the commercial users at the taxpayers' expense. We believe that substantial addtional revenues could be generated from the resources of the public lands if true, fair market value were charged for the extraction and use of federal forage, timber, minerals and oil and gas. We would be pleased to work with the committee to achieve this goal.

THE IZAAK WALTON LEAGUE OF AMERICA
INCORPORATED

STATEMENT OF MAITLAND SHARPE
CONSERVATION DIRECTOR
OF THE IZAAK WALTON LEAGUE OF AMERICA
BEFORE THE COMMITTEE ON GOVERNMENTAL AFFAIRS
U.S. SENATE
MARCH 18, 1982

Mr. Chairman:

I am Maitland Sharpe, the Conservation Director for the Izaak Walton League of America. The IWLA is a national organization of 48,000 members dedicated to the conservation and wise use of this nation's natural resources. The League was founded 60 years ago in Chicago, Illinois, and since that time has become recognized as a responsible voice for conservation. Throughout the six decades of our existence, the League has played an active role in the public debates over such landmark public lands legislation as the Taylor Grazing Act, the public land divestiture bills of the 1940's and early 1950's, the Classification and Multiple Use Act of 1964, the National Forest Management Act, and the Federal Land Policy and Management Act.

I appreciate the opportunity to be here today to express our concerns about the potential impact of Senate Resolution 231 on the public lands. Through most of this statement our comments focus on the public lands managed by BLM, but our basic concerns apply equally to the public lands within the National Forest System and the National Wildlife Refuge System.

We are aware that a Resolution does not have the force of law and that its passage will not, by itself, alter existing laws or regulations. Moreover, we are persuaded that the intent of its author, Senator Percy, does not extend to the wholesale divestiture of the public lands.

Nevertheless, S.Res. 231 would have several direct and tangible effects. It would direct the executive departments to inventory their public land holdings--including National Forests, BLM lands, and National Wildlife Refuges--and determine the sale value of each holding. It would direct the President--presumably working through OMB--to determine which properties are "surplus" and should be offered for sale. It would invite the President to submit legislation to expedite the liquidation program. The Resolution would do all of this in the context of great urgency--recognizing an overriding national need to reduce the federal debt. Finally, it would establish a sense of Congress that the management of the federal government's land resources has been less than "prudent and beneficial to the interests of the American people."

The Threat of Privatization

Our misgivings about Senate Resolution 231 are greatly amplified by recent actions by the President, key members of his Administration, and other leading proponents of prompt and large-scale sales of public lands.

On February 25, 1982, President Reagan signed Executive Order #12348, establishing a Federal Real Property Review Board designed to speed the sale of federal land and developed properties. The Executive Order clearly envisions making rapid progress toward divestiture--the initial agency reports of holdings that are underutilized or not in optimum uses are due on May 1 of this year. And the Order directs the Board to assign each executive agency an annual target for properties to be identified as excess.

President Reagan is a self-avowed supporter of the Sagebrush Rebellion, and the program launched by Executive Order 12348 appears to be the latest offensive in the continuing effort to wrest the public lands from federal ownership. This variation on the theme is known in Administration circles under the title of "privatization," but it might more aptly be termed the "Sagebrush Sell-Off."

That impression is confirmed by statements attributed to Mr. Dean Rhodes, a rancher from Nevada who is widely recognized as the "father of the Sagebrush Rebellion." Rhodes, who serves on the Land and Water Subcommittee of the President's Advisory Committee on Federalism, has been quoted as saying that the focus of the Sagebrush Rebellion has "shifted positions drastically," from seeking massive transfers of federal lands to the states to supporting the newer concept of "privatization."

William Niskanen, Jr., a member of President Reagan's Council of Economic Advisors (CEA), has called for a thorough restructuring of the current system of public land management and offered privatization, "selling off much of our federal lands," as one promising solution.

The proponents of privatization seem to have in mind a truly massive sell-off of federal lands--divestiture on a much larger scale than we believe the author of S.Res. 231 envisioned.

Senator Laxalt of Nevada has been reported as urging the sale of as much as 100 million acres of public lands, focusing on grazing lands and lands rich in oil, gas, hard rock minerals, and coal. In his statement before this Committee at your hearing on this subject on Feb. 25, 1982, Representative Ken Kramer of Colorado, spoke expansively of some "500 million acres (of public lands) potentially available for inventory and sale." (500 million acres is very nearly the total acreage of the National Forest System--190 million acres--and the lands managed by BLM--360 million acres.)

Dr. Steven Hanke is a Senior Economist on the staff of the CEA who is widely recognized as the architect of the Administration's privatization policy. Dr. Hanke has written that the goal of the privatization campaign is the sale or transfer into private hands of all of the public lands. Privatization then, in the eyes of its architect, is a program for the total disposal of the public lands. It is now concerned with making marginal adjustments in public lands ownerships to rationalize land holdings and facilitate private development where appropriate. Instead, privatization is a root-and-branch challenge to the very existence of the public lands as a public trust. Moreover, Dr. Hanke proposes to transfer the public lands to present users at less than fair market value by capitalizing the present value of the user fees paid over a period of years.

It is apparent that S.Res. 231 is only one element in a much larger movement--a movement aimed at a sweeping, and perhaps total, sale of the public lands. In that context, it is difficult to view the proposed Resolution as anything less than a significant threat--the nose of the camel in the tent. The Resolution invites the Administration to propose legislation declaring an open season on the public lands and to do so in the name of reducing the national debt, a rationale that few will question.

Massive privatization is, of course, not inevitable. There is room within S.Res. 231, and under the recent Executive Order, for a property disposal program of much lesser scope, one focused on surplus properties managed by GSA and one that would leave in place the basic structure of public land holdings. However, we find in S.Res. 231 no guarantees that this will be the case. In view of the political context surrounding this proposal, we see little cause for confidence. Instead there seems to be every reason to believe that the Resolution and the legislation that it invites will lead to an unacceptably large-scale erosion of the public land base. In short, we fear that S.Res. 231 will legitimize and add momentum to a movement for the wholesale disposal of the public lands.

Izaak Walton League Policy

The Izaak Walton League believes that the National Forests, National Grasslands, and the lands managed by BLM should be retained in federal ownership and managed for multiple use. For the National Forests, the issue of retention was resolved by the end of the

1900's. But for the public lands now managed by BLM, the fight over retention or disposal has persisted for most of this century. The assumption that the public lands were being held temporarily, pending final disposal, and that management was essentially a custodial exercise, dominated public land policies through the 1950's. In the 1960's, the decades of debate culminated in two landmark study efforts: the Public Land Law Review Commission (PLLRC) and the Classification and Multiple Use Act.

In 1970, the report of the PLLRC recommended against large-scale disposal. Six years later, after more than a decade of intensive study, consideration and debate, Congress finally resolved the issue in favor of retention of the public lands. The Federal Land Policy and Management Act (FLPMA) of 1976 stated that "...it is the policy of the United States that the public lands be retained in federal ownership..." and mandated that the lands be managed for multiple use and sustained yield. That fundamental multiple use mandate has been in place for only about five years and the land management planning process and other procedures for making multiple use a reality are still evolving.

FLPMA should be given a decent interval to prove itself. We believe it is much too soon to re-open the basic decision to retain and manage the public lands.

At the same time, the Izaak Walton League is not categorically opposed to all disposal of public lands, whether by sale, exchange, or transfer to states or municipalities. For many years, the League has recognized a need to rationalize the patterns of public land ownership. Ownerships should be blocked up into manageable units. Outlying units too small to be efficiently managed should be disposed of. And lands needed for growth of urban areas should be sold at fair market value. However, the League is strongly opposed to wholesale disposal of public land holdings. We are equally opposed to high-grading the public lands--to selling off the most valuable, most productive sites, leaving a fragmented, unmanageable array of the least desirable areas.

The Values of the Public Lands

The public lands managed by BLM are an extraordinarily valuable national heritage. They contain vast stores of fossil fuels and hard rock minerals. They provide forage and timber in vast quantities. They support abundant herds of wildlife and productive fisheries. The public lands provide extensive recreation opportunities and wilderness values. They are rich in cultural and scientific resources. They are not wastelands; they are not excess; they are not somehow surplus to our nation's needs.

It is widely recognized that the public lands contain extraordinary mineral values. Areas managed by BLM, including the Outer Continental Shelf, are estimated to contain 80 percent of our known oil and gas reserves. 80 percent of the nation's oil shale reserves, vast geothermal resources, and almost one-third of our uranium reserves are found on public land. For fiscal 1982, leasing of these minerals is expected to return approximately $12 billion to the federal treasury.

The value of the public lands for forage and timber production is also generally recognized. Over nine million head of livestock are grazed on the 174 million acres of rangelands managed by BLM. In fiscal 1982, grazing fees will produce a return of about $22 million. Merchantable timber on BLM lands is valued at approximately 15 billion dollars. In 1982, timber sales are expected to yield approximately 267 million dollars.

The public lands managed by BLM offer immense recreational opportunities and attract a staggering number of recreational visitors. In the words of Richard Starnes, Editor at Large for Outdoor Life, "...most of the serious hunting and fishing in the United States takes place on federal public lands. There are currently about 200 million recreational visits a year to federal public lands, visits that encompass every conceivable outdoor activity from hunting and fishing, to backpacking, canoeing, birding, rockhounding, and the study of wildflowers." (Recreational use data taken from Public Land Statistics, 1978.)

Americans seeking recreation are drawn to the public lands by spectacular scenery, solitude, the diversity of recreational opportunities, and an unlimited freedom of access. The draw is clearly a powerful one; between 1965 and 1975, recreational use of the public lands expanded by some six fold. (By way of comparison, total visitation to the National Parks in the same year, 1978, was approximately 280 million.)

The public lands are equally valuable for wildlife and fisheries. The lands managed by BLM provide wildlife habitats of incredible diversity, including muskeg bogs, deserts, alpine meadows, dense forests, wetlands, and sagebrush grasslands. Most of our remaining brown and grizzly bears, caribou, and desert bighorn sheep depend on public land habitats, as do 65 percent of the nation's muledeer, 50 percent of the moose, and 45 percent of the antelope. The annual take of big game on the public lands is nearly 250,000 animals.

The public lands are also home to numerous small animals and birds, including ptarmigan, grouse, quail, partridge, and numerous non-game species. The world's largest concentration of raptors is found on BLM lands, along the 81-mile stretch of the Snake River Canyon in southern Idaho. And the lands managed by BLM shelter more than 200 threatened or endangered species. Thriving herds of wild horses and burros, a valued legacy of pioneer America, are found on the public lands.

The public lands are also rich in water resources and fisheries. The lands managed by BLM contain over 650,000 miles of perennial streams, 30 million acres of riparian habitat, 47 million acres of wetlands, 82 million acres of waterfowl habitat, and over 90,000 miles of fishable streams. More than half of the annual west coast harvests of salmon and steelhead are spawned on the public lands.

Finally, the public lands contain the largest cultural resource base on federal lands. These resources include aboriginal petroglyphs, cliff dwellings, ghost towns, abandoned military posts, and pioneer wagon roads. The number of such sites on BLM lands has been estimated at between 500,000 and more than five million.

Clearly, the public lands are of immense value, both for commodity production and for non-commodity uses. We are concerned that much of the discussion of S.Res. 231 has focused on the public lands as a marketable asset and in so doing, has embraced the implicit assumption that the proper mission of the public lands is to generate the maximum economic return to the Treasury.

As a matter of law and established national policy, that is not so. Both the National Forests and the public lands managed by the BLM are, by law, to be managed for a broad range of values under the principles of multiple use and sustained yield. The statutes governing both agencies explicitly direct that the lands shall not be managed simply to produce "the greatest economic return or the greatest unit output." In other words, non-commodity uses and values are to be balanced against economic return in reaching management decisions.

If the public lands were to pass into private hands, non-commodity values would tend to be sacrificed to the private owner's need to maximize return on his investment. But it is precisely those values--watershed, wildlife, cultural resources, recreation--that provide much of the public value of the public lands.

Alternatives for Increasing Public Land Revenues

There are a variety of ways to increase the revenues from the public lands that do not involve liquidation. Three opportunities deserve particular attention.

First, the grazing fees charged for the use of forage on the public lands could be increased to reflect market rates. At present, federal forage is sold at a discount, under a formula established by law in 1978. We are advised that changing the prevailing local rate for comparable forage would at least double the current return from grazing fees. And under a competitive bidding system such as that used by the Defense Department on its grazing lands, the return would more than triple.

Second, the federal royalty rates from onshore oil and gas leases could be substantially increased. The federal royalty rate of 12½ percent has lagged far behind rates being charged by private land owners. At the very least, the federal rate should be increased to the minimum 16 2/3 percent royalty recently recommended by the Commission on Fiscal Accountability. However the 16 2/3 percent rate should be a floor, not the average, and certainly not a ceiling. Private negotiated royalty rates have passed 33 1/3 percent and federal royalties should rise to match them. The additional return to the federal treasury could amount to at least $100 million annually by 1990.

Third, the Congress should adopt legislation to provide the taxpayers with a fair return on the value of the hard rock minerals found on the public lands. Under the 1872 Mining Law these minerals--gold, silver, copper, lead, cobalt, and many others--are free for the taking. There is no federal royalty on hard rock minerals and no direct return to the Treasury. Replacing the 1872 Mining Law with a modern system of leasing and royalties would provide at least $2 billion per year in new revenues at a royalty rate of 16 2/3 percent.

We urge you and the Administration to seriously consider these alternative measures for increasing the financial contribution of the public lands to the general treasury. In addition, these potential fair-market returns from the public lands should be employed in any calculations of the economic efficiency of retention versus disposal.

Using the FLPMA Process

It is our position that any exchanges or sales of public lands should be carried out within the framework of the land planning process established by the Federal Land Policy and Management Act, the BLM Organic Act of 1976. We believe that FLPMA offers a practical, responsible, and responsive tool for dealing with questions of land exchange or disposal.

In framing FLPMA, Congress established a general policy of retaining the public lands, but also provided mechanisms for limited sales and exchanges of those lands. The Act opens with the policy statement that:

> (1) the public lands (shall) be retained in federal ownership unless as a result of the land use planning procedure provided for in this Act, it is determined that disposal of a particular parcel will serve the national interest.

FLPMA established a comprehensive planning process as the central mechanism for inventorying the resources of the public lands, allocating those resources among the various competing uses, and making specific resource management decisions. The multiple use planning system that came into being under FLPMA is based on the most thorough inventory of the resource base ever conducted, integrates all resource values and uses in a comprehensive process, is conducted by interdisciplinary teams, and encourages the involvement of all interested parties.

One of the purposes of the planning process is to identify lands that should be made available for exchange or disposal. The planning system applies public interest and national interest criteria in identifying a tract for disposal and requires that the decision give consideration to all resource values and uses. FLPMA also requires that all land sales be at fair market value and that all exchanges be for approximately equal value. All of these requirements must apply to any future land disposal actions in order to retain public confidence and assure a fair return to the Treasury.

In fact, the planning system has identified numerous tracts for disposal. I have been unable to locate any reliable aggregate data on the total acreage or the total number of tracts identified for disposal in the plans that have been completed to date. However, a review of the environmental impact statement for just one planning unit, the Royal Gorge Resource Area, in the Canon City District of South-central Colorado, shows that approximately 218 tracts totalling over 100,000 acres were recommended for disposal.

But will the planning system under FLPMA continue to identify tracts to be exchanged or sold? And will disposal of those tracts proceed on a schedule acceptable to the members of this Committee?

Proponents of privatization have generally rejected FLPMA as a mechanism for identifying lands suitable for disposal. They find the pace of the planning process frustrating and unacceptable. In place of the normal land management planning process, they have called for an extraordinary, accelerated effort, the express purpose of which would be to identify lands for disposal and effect their sale. We believe such an accelerated, single purpose effort to be both unwise and unnecessary.

At present, it is lack of funding that constitutes the chief impediment to effecting land transfers or sales through the FLPMA planning process. This Administration's budget proposals are systematically choking off BLM's land planning activities. The combined effect of the fiscal 1982 budget and the Administration's budget proposal for fiscal 1983 would be a 48 percent cut over a two year period, in the direct dollars available for planning. After adding the Bureau's inflationary factor, the true reduction in planning activity turns out to be a staggering 64 percent.

Under these budget cuts, the pace of planning is grinding to a halt. Of the 26 basic Resource Management Plans (RMPs) that were scheduled to begin in FY 1982, only five have gotten underway. Of the 32 RMPs to be initiated in FY 1981, only 14 were begun. BLM is falling back on old plans that do not reflect FLPMA's multiple use mandate and inventory requirements. As a result, tens of millions of acres of BLM lands will not be receiving the multiple use inventory and planning attention required by FLPMA.

The impression that FLPMA is slow or ineffective is less a reflection on the planning system under the Act, than on the Administration's refusal to allocate the funding and manpower needed to make it work. The solution does not lie in conducting a hurried, single-purpose inventory and assessment outside of the framework of FLPMA. The findings and recommendations of such an accelerated effort would not enjoy broad credibility among interested parties; they would be subject to extensive criticism and time consuming challenges; they would prove difficult to defend.

Instead, the responsible and efficient solution would be to provide the resources needed to make the multiple use planning process work and to return BLM's planning program to its original schedule.

Can Public Land Sales Achieve its Goal?

Finally, it seems reasonable to ask whether a large scale sale of public lands would succeed in accomplishing its ends. The immediate goal is to reduce the size of the federal debt, of course. But debt reduction is only a means to the end of reducing interest rates. A smaller national debt would require less federal borrowing to finance that debt. And that, in turn, should mean less pressure on the money markets and a drop in interest rates.

But would these sales really reduce the pressure? If the federal government sold a tract of public lands for $1MM, the debt could be reduced by that amount and the cost of servicing the debt would drop by $120,000 or so, depending on the current cost of federal borrowing. As a result, the demand for money in the money market would decline by the same amount. So far, so good.

But whoever purchased the tract almost certainly would have to go to the money market to borrow the $1MM to pay the federal government. So, in terms of the pressure on the money market and the impact on interest rates, it appears to be roughly a wash transaction.

Reduced federal borrowing would be offset by increased private borrowing and the effect on interest rates would be negligible. Although the goal of trimming the federal debt would have been achieved, the real goal of reducing interest rates would not be realized.

In that case, we, the American people, would not achieve the social and economic goals for which we liquidated our productive land assets. In human terms, it would be no easier for young people to realize their hopes of home ownership, or for others to purchase cars or consumer durables. And, also in human terms, our recreational and wildlife assets would be depleted and our sense of freedom and access and pride in the American lands that we all own would be sadly diminished.

Thank you, again, for this opportunity to discuss our concerns. I will be happy to answer any questions you might have.

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March 17, 1982

The Honorable Charles H. Percy
Chairman
Energy Subcommittee
Senate Committee on Governmental
  Affairs
Senate Office Building
Washington, D.C.   20510

Dear Senator Percy:

With my statement on S.Res. 231, which I submit for the record, I respectfully protest your refusal to honor my repeated requests for an opportunity to testify.

My organization has important information to offer on the nature and public uses of the public lands that would be affected by the proposal to sell them. It is information that should be considered by all members of the Committee. I can only conclude that you did not wish the record to show, or your colleagues and the press to hear, that information.

I further protest that in the course of two days of hearings packed with long-winded proponents, you have limited the nation's leading conservation and environmental organizations to only four or five witnesses, further restricted to only a few minutes of oral testimony each.

I also submit, and ask that it be included in the record, a resolution concerning S.Res. 231 adopted by unanimous vote at the annual convention of the Conservation Federation of Missouri last weekend.

Sincerely,

Chas H. Callison

Charles H. Callison
Director
PUBLIC LANDS INSTITUTE

Attachments

Public Lands Institute is a Division of Natural Resources Defense Council, Inc.

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January 11, 1982

Senator William V. Roth, Jr.
Chairman
Senate Committee on Governmental
  Affairs
Senate Office Building
Washington, D.C.   20510

Dear Senator Roth:

When hearings are scheduled on Senator Percy's S.Res. 231 relating to the sale of federal property and the national debt, I wish to present testimony in behalf of the Public Lands Institute.

Will you or a member of the committee staff please advise me as far in advance as possible of a hearing date? Thank you.

Sincerely,

Charles H. Callison

Charles H. Callison
Director

cc: Senator Thomas F. Eagleton
    Senator Office Building
    Washington, D.C.   20510

Public Lands Institute is a Division of Natural Resources Defense Council, Inc.

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United States Senate
COMMITTEE ON APPROPRIATIONS
WASHINGTON, D.C. 20510

January 20, 1982

Mr. Charles H. Callison
Director
Public Lands Institute
1725 I Street, N.W., Suite 600
Washington, D.C. 20006

Dear Charlie:

Thank you for sending me a copy of your recent letter to Senator Roth. I, too, have contacted Senator Roth and have asked him to include you in the list of witnesses for the hearings on Senate Resolution 231.

I will be back in touch when I hear further from Senator Roth. Best wishes.

Sincerely,

Tom Eagleton

Thomas F. Eagleton
United States Senator

TFE:rof
Enclosure

Call Rosie, O'Brien Friday
202-224-5721

MARK O. HATFIELD, OREG., CHAIRMAN

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United States Senate
COMMITTEE ON APPROPRIATIONS
WASHINGTON, D.C. 20510

January 20, 1982

Senator William V. Roth, Jr.
Chairman
Senate Committee on Governmental
Affairs
3306 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Roth:

I was recently contacted by Mr. Charles Callison who requested to present testimony in behalf of the Public Lands Institute during the hearings on Senate Resolution 231. I would appreciate your including Mr. Callison in the list of witnesses for those hearings.

Thank you.

Sincerely,

Thomas F. Eagleton
United States Senator

TFE:rof
Enclosure

bcc: Charles Callison

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March 10, 1982

403 Castle Drive
Jefferson City, Missouri
65101

Senator Charles H. Percy
Senate Office Building
Washington, D. C. 20510

Dear Senator Percy:

This is to renew my request for an opportunity to testify on S. Res. 231 when you resume hearings March 18 in the Committee on Governmental Affairs. As director of the Public Lands Institute, and representing also the Natural Resources Defense Council, I have information about the categories and public values of the federal lands that should be available for you and other Committee members to consider.

Sincerely,

Chas. H. Callison

Charles H. Callison
Director

cc: Senator Eagleton
Senator Danforth

Public Lands Institute is a Division of Natural Resources Defense Council, Inc.

COMMITTEE ACTION: DO PASS

ECOLOGY AND ENVIRONMENT

RESOLUTION NO. 26

WHEREAS, the major systems of public land of the United States, namely, the National Forests, the National Wildlife Refuges, National Parks and Monuments, and lands under the Bureau of Land Management (BLM) serve important public purposes beyond the use of the National Forests and BLM lands for commodity production; AND

WHEREAS, millions of Americans, including members of the Conservation Federation of Missouri, benefit from use of the Natural Forests and BLM lands for recreation, wildlife conservation, scenic and wilderness preservation, scientific research and watershed protection, over and above use of the same lands for timber production, livestock grazing, and energy and other mineral development, AND

WHEREAS, the national security, economy and environmental quality will be best protected through the orderly development of the timber, forage, energy and mineral resources under government ownership rather than through the monopolistic control certain to result from "privatizing" the public lands; AND

NOW, THEREFORE BE IT RESOLVED, the Conservation Federation of Missouri assembled in Annual Convention at Lake Ozark, Missouri this 13th day of March, 1982 opposes and calls upon the Missouri delegation in Congress to oppose, the plans advanced in the Administration's budget and by some members of Congress to dispose of large areas of the Federal public

continued.....

lands. Specifically, we oppose the concept advanced in Senate Resolution 231 and House Resolution 265.

The Conservation Federation of Missouri does not oppose the sale or exchange of isolated and small tracts of National Forest land as would be authorized by H.R. 3021, the so-called "Small Tracts Act", nor do we oppose the sale or exchange of BLM lands if done in accordnace with the provisions of the Federal Land Policy and Management Act of 1976.

SUMMARY: The Federation opposes current proposals in Congress and by the Reagan Administration to sell or otherwise transfer National Forest and other public lands into private ownership.

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Statement by Charles H. Callison, Public Lands Institute of the Natural Resources Defense Council, on S. Res. 231, proposing inventory and sale of federal lands.

To Senate Committee on Governmental Affairs

March 18, 1982

Mr. Chairman and members of the Subcommittee, my name is Charles H. Callison. I am the founder of the Public Lands Institute (PLI), which was incorporated in Colorado and established with headquarters in Denver in February, 1978, a national, non-profit organization to work for good management of government-owned lands -- lands owned by the people of the United States. Last June our Board of Directors voted to merge our membership, assets and operations with the Natural Resources Defense Council (NRDC). The merger has been effected, and we now operate as a division of NRDC with offices in Washington, D.C., New York, Denver and San Francisco.

Mr. Chairman, no patriotic or taxpaying American could possibly take issue with the proposition that the national debt should be reduced and eventually retired. The national debt is a millstone around all our necks. But what concerns me and my organization is the misunderstanding that seems to prevail among sponsors of the resolution about the nature, uses, and public values of the public lands. The apparent misunderstanding and the misapprehensions have already been transmitted to the public through your statements and the accompanying publicity. I respectfully suggest, Mr. Chairman, that it is a disservice to the nation to propagate the simplistic idea that the burden of the trillion-dollar national debt can be lifted by selling off the public lands.

Public Lands Institute is a Division of Natural Resources Defense Council, Inc.

Senate Resolution 231 exempts from the proposed inventory national parks, monuments and historic sites -- the National Park System which totals at present some 73,700,000 acres. Line 1 of the text adds to this exception a meaningless "and other holdings for which an inventory would serve no purpose."

The public lands, which now total approximately 716 million acres -- not the exaggerated 775 million acres proclaimed by the Wall Street Journal in an editorial January 25, 1982 -- include in addition to the National Park System, 187 million acres in the National Forests. Many Americans, among them some politicians who are not keen on history, have forgotten why the great National Forests in the Midwest, South and East were established later, under authorization by Congress, mostly through the acquisition of cut-over, burned-over, and abandoned lands. There were two proposed purposes for which the National Forests were established: (1) Watershed protection, and (2) to assure for the nation a continuous supply of timber through sustained-yield management. Those two reasons were re-stated, over and over, in Presidential withdrawal orders during the administration of Grover Cleveland, in the vigorous conservation actions of Theodore Roosevelt, and in policy declarations by Congress.

Watershed Protection remains critical in the West, where the National Forests lie like a mantle over the high mountain slopes and catch the snow and the rainfall that feed the rivers and reservoirs that sustain the cities and make agriculture possible in the irrigated valleys. The forests catch the snow and release it gradually from the shaded slopes in spring and early summer -- so gradually that floods are prevented, soil-erosion is prevented, and the reservoirs are not quickly destroyed by siltation.

Watershed protection is truly a national purpose benefitting all Americans. The rivers whose sources are protected are truly national rivers. They include, among others, the Columbia and the Sacramento, the Colorado, the Rio Grande, the Missouri, the Arkansas and the Platte --these and their major and minor tributaries.

The importance of the National Forests as a source of wood products now and in the future is attested to by the perennial clamor of the timber industry for relaxation of the allowable cut. But the harvest must be based on growth-- that is the principle of "sustained yield." Further it must be regulated to protect and enhance the other important public uses of the National Forests -- the uses that have been recognized by Congress in the Multiple Use-Sustained Yield Act of 1960-- and in subsequent legislation. Those uses and public values include public recreation, fish and wildlife conservation, wilderness preservation, and the orderly development of mineral and energy resources.

Almost as many people go into the National Forests for recreation as visit the National Parks. They include hunters and anglers, campers, hikers, skiers, bird watchers, nature photographers and others. Their visiting days totaled 235 million in Fiscal Year 1981, according to Forest Service statistics. The National Park Service -- which counts "recreational visits" whether a person stays one hour or one week -- figured it hosted 327 million such visits in 1981.

This public purpose could not and would not be protected should the National Forests be sold -- or given away, as the timber industry would prefer. Mr. Chairman, do you propose to put the 258,000 acres of the Shawnee National Forest in Illinois on the block? You are not going to run into mere opposition from Illinois hunters, fishermen, campers and hikers and other conservationists if you do. You are going to encounter outrage.

In addition to the National Park System and the National Forests, the federal lands also include the National Wildlife Refuge System, which totals 88,766,000 acres. The Refuge System includes great areas in Alaska that were transferred from the public domain by Act of Congress little over one year ago. The purpose of the National Wildlife Refuges -- so stated by Act of Congress -- is the preservation of America's heritage of wildlife resources, particularly those migratory species that cannot be effectively managed on a state-by-state basis. Many of the migratory bird refuges, Mr. Chairman, were acquired with funds paid by duck and goose hunters through the purchase of the annual, federal, migratory bird hunting license (commonly known as "The Duck Stamp"). Do you propose to sell off the National Wildlife Refuges? Do you propose to put the Chautauqua, Crab Orchard and Mark Twain National Wildlife Refuges in Illinois on the blocks? And to whom would you sell them?

The federal lands also include the areas under the Bureau of Land Management (BLM). National policy with respect to the BLM lands was established by Congress in 1976 when it passed the Federal Land Policy and Management Act. That landmark conservation law said, first, "Congress declares that it is the policy of the United States that -- (1) the public lands be retained in federal ownership, unless as a result of the land use planning procedure provided for in this Act, it is determined that disposal of a particular parcel will serve the national interest." As a further declaration of policy, Congress said that "(8) the public lands [shall] be managed in a manner that will protect the quality of scientific, scenic, historical, ecological, environmental, air and atmospheric, water resource, and archaeological values; that, where appropriate, will preserve and protect certain public lands in their natural condition; that will provide food and habitat for fish and wildlife and domestic animals; and that will provide for outdoor recreation and human occupancy and use."

The Bureau of Land Management (BLM) presently administers about 328 million acres, mostly in the eleven contiguous Western states and Alaska, but after land transfers directed by Congress are completed, BLM will have some 253 million acres to take care of.

In reciting acreages of federal lands, members of Congress have a way of forgetting that in the Alaska Statehood Act they voted to give the new state 104 million acres of Federal lands. This Statehood grant -- more land than the entire area of California -- is progressing with State selections and surveys; as of this date 22 million acres have been patented to Alaska.

Then in the Alaska Native Claims Act, Congress gave the Native Peoples another 44 million acres. To date some 17.4 million acres have been deeded to the Natives.

But 82 million acres remains to be conveyed to the State; 26.6 million acres, to the Natives. Do you propose, Mr. Chairman, to put those unconveyed, but committed, lands on the block?

Then scarcely more than a year ago Congress passed the Alaska National Interest Lands Act, and in doing so it transferred 43.6 million acres formerly under BLM to the National Park System; 53.8 million acres formerly under BLM to the National Wildlife Refuge System; and 3.4 million acres formerly under BLM to the National Forest System. Do you propose to sell off those 100 million reserved acres in Alaska? And to whom do you expect to sell them?

Returning to the unconveyed, uncommitted public lands under BLM. Those are the lands for which Congress spelled out policy in the Federal Land Policy and Management Act of 1976. They have many public uses and values and like the National Forests and National Parks, they belong to the people of the United States and the people may not consider them surplus.

Although generally at lower elevations in the mountainous and arid West, the BLM lands are parts of the same watersheds as the National Forests. That is the basic reason why Congress told BLM, as it earlier told the Forest Service, to prevent overgrazing, to restore overgrazed rangelands, to control wildfire, and to do what it can, given the give-away mining law of 1872 that Congress has been loathe to reform, to prevent erosion and stream pollution. Those Congressional directives are also the basic reason behind the protest, the so-called "sagebrush rebellion," by people formerly accustomed to getting by with anything on the public lands -- the property of the American people -- even to ripping them off.

The goals of the "sagebrush rebels" deserve some analysis, because they are falling in behind the simplistic theory being discussed at this hearing. The "privatization of the publc lands," they call it, and their leader, rancher/legislator Dean Rhoads of Nevada, has been serving as a member of the White House Federalism Subcommittee on Land and Water. Mr. Rhoads is the "father" of the Nevada "Sagebrush Act." That 1979 Act, and copies of it passed in five other Western states in 1980, cited an "equal footing doctrine" and asserted the States were the real owners of the federal lands. A federal judge in Nevada has already demolished that theory.

Seeing their land grab going no where in the courts, Mr. Rhoads and associates persuaded some Western congressmen to introduce bills to give the lands to the States. Those bills are pending. Senator Hatch's S.1245 would give away both National Forests and BLM lands. Mr. Santini's H.R.3655 would transfer only BLM lands (there aren't many National Forests in Nevada). Senator Hatch made it clear, in statements to constituents in Utah, that the ultimate goal was to get the federal lands into private ownership. Among the "rebels," ranchers like Dean Rhoads who hold grazing permits on the public lands have been out front -- the most vocal -- but they have been joined by some timber interests who have their eyes on the National Forests, and by some mining associations. Their real goal is not so much ownership of the land but control of the resources -- the forage, the timber, the minerals -- which they want to exploit without environmental restraints.

Mr. Rhoads and his rancher friends now run livestock on the federal rangelands at from one-fourth to one-third the market value of the grazing privelege -- one-fourth to one-third what they would have to pay to lease private land for grazing. They don't want to buy the federal rangelands at market value. Their idea of "privatization" is to continue to pay the giveaway fee of $1.86 per animal-unit month, and after a certain number of years they would receive title to the land. They don't want to buy the land, Mr. Chairman, or even the grazing rights. They want you to give it to them.

BLM lands, like the National Forests, are also used heavily by the public for a variety of recreational activities. Last year, BLM estimated, its lands accomodated 130 million recreational visits, including people who drive through the public lands for sightseeing pleasure. Eliminating the casual, drive-by sightseer, and counting only those who hiked, hunted, fished, photographed, used the agency's campgrounds or picnic areas, engaged in rock-hounding, or other more intensive forms of outdoor recreation, BLM calculated a total of 35,511,466 visitor days -- on a 12 hour day basis -- in fiscal 1981. That's a lot of use by the public in addition to the mining and mineral development, livestock grazing, logging and other commercial uses of the public lands.

Excluding the white-tailed deer which is common in the East, the National Forests and BLM lands provide the absolutely essential habitat for the great bulk of our remaining big game populations. I am talking about elk and pronghorn antelope, mule deer, bighorn sheep, mountain goat, bear, and the spectacular, migrating herds of caribou in the Arctic.

It is essential to keep in mind that the three systems of public lands I have discussed here -- the National Forests, National Wildlife Refuges, and BLM lands -- are not being wasted or lying idle. They are intensively used. And quite apart from their importance to their owners for recreation, wildlife conservation, wilderness and scenic preservation, and scientific research, they yield substantial revenues for federal, state, and local treasuries. They do not, as a St. Louis Globe Democrat editorial recently said, "return nothing to the taxpayers."

From mineral leasing and royalties on the public lands (not counting the Outer Continental Shelf revenues) and from grazing fees and other revenues BLM collected over $1 billion for the federal treasury last year. Half of the mineral revenues and a share of the others go to the states and local governments where the lands are located.

Forty percent of the mineral revenues, by law, goes to support the irrigation programs carried out in the West by the Bureau of Reclamation.

Reveneus from the National Forests (not counting mineral revenues which are collected by BLM) totaled $920,204,000 -- nearly a billion dollars -- in 1981. One-fourth of that went to county treasuries for roads and schools. Several studies have shown that in most counties where National Forest lands are located, the county share of Forest revenues exceeds on an acre-by-acre basis what the county collects through taxation from adjacent, private land.

The next largest land-holder among federal agencies, Mr. Chairman, is the Department of Defense, presently with some 30 million acres. This includes land held by the Army Corps of Engineers in connection with their flood control, navigation, and hydro-power projects. Many of the military bases and facilities have become obsolete and may well be disposed of -- but in this period of expanding military budgets, I doubt if you are going to cut very deeply into the realty holdings of the Army, Navy and Air Force. It seems clearly contrary to the policy of the present Administration to balance the budget -- much less reduce the National debt--at the expense of the Pentagon.

The Bureau of Reclamation holds 6.6 million acres; the Department of Energy a million and a half acres; the Tennessee Valley Authority, nearly a million acres; and a variety of other federal agencies have lesser amounts. No doubt some of these holdings are non-essential to federal or public purposes and could be sold. But you are not going to find enough to make a sizable dent in the current federal deficit, much less retire the National debt. In short, Mr. Chairman, the trumpeted theory behind this resolution is unrealistic.

If you do not intend to dispose of the great systems of public lands that have been designated by Congress for important national and public purposes -- the National Forests, the National Wildlife Refuges and the BLM lands -- then you ought to say so in the language of S. Res. 231 -- or in whatever emerges from this Committee.

Senator PERCY. The next witness will be Mr. Tim Schultz, commissioner of Rio Blanco County, Colo., and Mr. Larry Bowes, executive director, Colorado County, National Association of Counties. I would like to welcome Mr. Schultz and Mr. Harry Bowes, representing the National Association of Counties. I understand that both of you have come from Colorado to testify on this issue. As you probably know, a Colorado Congressman, Ken Kramer, has—along with Kansas' Larry Winn—been a leading force in promoting this resolution in the House. I am also pleased to report that my good friend Senator Bill Armstrong is one of my cosponsors here in the Senate.

When I was first considering sponsoring this resolution, I was told that it was an impossible task to bring about real reform in the way the Federal Government manages its assets because I would be stepping on the toes of too many special interests.

I think we are beginning to prove that the skeptics were wrong. Our progress has been significantly helped by the support of groups such as yours that can look beyond the short-term implications of a freeze on donations of Federal property, and look instead to the long-term benefits of selling unneeded assets—of putting them to productive use in the private sector and on the tax rolls where they belong.

I invited representatives of State and city governments to testify at this hearing. They generally felt it was too early for them to take a position. I hope that as they develop a position on this resolution, they will see the same long-range benefits as your group does.

I look forward to hearing your important testimony.

TESTIMONY OF TIM SCHULTZ, COMMISSIONER, RIO BLANCO COUNTY, COLO.; AND HARRY BOWES, EXECUTIVE DIRECTOR, COLORADO COUNTY, NATIONAL ASSOCIATION OF COUNTIES, WASHINGTON, D.C.

Mr. SCHULTZ. My name is Tim Schultz, from Rio Blanco.

In order to save time, I will not read to you our entire statement that I have prepared for today, that has been submitted to the committee for their review. But I would like to share with you some thoughts that I have about Senate Resolution 231 and its effect on county government. As you are aware, as included in my testimony, I am a county commissioner from Colorado and a rancher from Rio Blanco County, living in the heart of the oil shale country. So I am very involved and very aware of energy policies, as well as the legislative activities that center around Colorado as well as Washington.

I am chairman of the BLM-NACo's liaison committee and a board member of NACo's western interstate region, which represents counties from 13 western States.

I am sure you are aware of the many problems that county government experiences with Federal ownership of property within our boundaries. In my county, over 80 percent of the land is owned by the Federal Government that takes a significant amount of property off the tax roles and, as I am sure many people are aware county government derives most of its income from property taxes in my county 94 percent in the State of Colorado, 94 percent of the county's revenues come from property taxes on real property.

So when you have counties that do not have significant amounts of property to tax, you are asking them to go out and tax those properties to provide services to over 50 percent greater than the area that they are taxing to get the money to provide services for that land.

Also, another problem that we experience with counties that have large amounts of public lands within their boundaries local land use plans are compensated by Federal money.

There are instances where local land use plans may call for expansion of a sewer district or road network and they are blocked by a patchwork effect of Federal ownership.

In concept, the idea of Federal Government selling surplus property is supported by the National Association of Counties.

It is when we take a concept and go from the actual passing of a law to how that concept is administered, that becomes a major question that local government has to deal with.

I think the committee needs to understand the problems that local government has in acquiring lands now under the existing policies. The National Governors' Association estimates that States will lose from $2 to $12 billion this year because of the Federal budget cuts and the accompanied changes, a substantial amount of those changed will be reflected and passed on to local governments.

So many counties in the position now of doing a severe budget crunch will feel tougher constraints put on them as the States are able to share revenues that they have. When the county is in a position of a hard time acquiring properties' public uses, if a strict prohibition was put on this type of bill, it would make it almost impossible for local governments to obtain the property that they would need.

I would encourage you and the committee to include in your deliberations the need for local governments to be allowed to obtain property at a discounted rate if it is to be used for a public purpose not to be used for commercial purposes.

Finally, in my comments, the Federal Government in the past, through the passed administrations, as you are aware, the administration of the public lands in our area led to a movement called the sagebrush rebellion. I think it is important that we realize as we go about talking of selling Federal properties an improper administration of that type of a program can lead to a rebellion in the West.

There are vast amounts of land out there and it has to be done in a manner which includes local imput. What I would like to do is suggest to you some concepts you might use in formulating the law that could be passed by Congress.

I think a local imput is an absolute must. It is something we have to have to make the program successful. Local land use plan must be considered. In most Western States land use planning and land use plans, the authority to do that has been given to county government from the States and that is the exact case in Colorado.

Local government again needs the ability to acquire property at discount rates for public services, the national policy of this type needs to be localized, it has to be localized in a nature that allows participation from small areas, it cannot be generalized and just necessarily a nationwide plan.

I believe that States and local review committees should be set up to work with the Federal Government so that when you move into a State whether it be Colorado, whether it be Hawaii, there is a group of local people that can be consulted with and their opinion on the effect of that sale of property can be given to the Federal agency.

There should be local review by the Commissioners within the particular jurisdiction to see that it does comply with local land use plans.

I would like to recommend that two or three county officials be added to the real property review board. I think that would be an area wherein a broad national perspective local opinion could be solicited and it would also go further toward promoting the type of an atmosphere where, when Federal sales of surplus property was made, they were supported by local government they would also be supported by the citizens of area where the sale was made, benefits can be seen more readily by people in the area where the sale would be made and that the program would then be a successful program and we would not be faced with misunderstanding and misuse of the program and another reaction similar to a sagebrush rebellion coming out of the West.

I appreciate the opportunity to take before your committee, if you have any questions we will be glad to try to answer.

Senator PERCY. Thank you very much, Mr. Bowes. Do you have anything to add?

Mr. BOWES. No, sir.

Senator PERCY. I appreciate, first of all, your indicating so clearly that everybody has something to gain from better management of the Federal Government assets. We can all agree that one of the best ways to get the economy on its feet again is to make sound fiscal decisions as we go along. I doubt that a county government would give away valuable assets during a time of fiscal crisis, they are having a terrible time meeting their budget, they are cutting out expenses, cutting services, they are not about to turn and give away something that has a market value. Can you imagine Rio Blanco County giving away a real valuable piece of property it owns while cutting back on its social programs?

Mr. SCHULTZ. I can't imagine them doing that unless the property that was in question would be a piece of property that would be very desirable for a public use and it was the wishes within the country that land be set aside for that public use.

Senator PERCY. I have no further questions, We will keep the record open for you in case other Senators have questions to send to you. We very much appreciate your coming out and I thank you for the perfectly beautiful weather in Vale this weekend. Thank you.

Our last witnesses are representatives of the American Society of Appraisers, John Gadd, Peter Reclite, Mr. Goodman, Mr. MacBride. I would like to say to you all that I am particularly pleased to have you here this morning and have you as our wind up witnesses. Your organization has been extremely supportive of this proposal right from the beginning. As you gentlemen are keenly aware, the Federal Government has little or no idea of what its assets are really worth and I can say that any company's top management that didn't know what its true value was wouldn't be held in very high regard by the stockholders and the board of directors. This is especially true if a corporation is facing financial crisis.

The Federal Government is facing a true, real financial crisis. One of the crises we are talking about, we greatly value your expertise in this area. We look forward to continuing to work with you and we appreciate your testimony now.

TESTIMONY OF PETER J. RECLITE, ASA, INTERNATIONAL PRESIDENT; JOHN L. GADD, ASA, SENIOR VICE PRESIDENT; BERNARD GOODMAN, ASA, PAST PRESIDENT; AND DEXTER D. MacBRIDE, EXECUTIVE VICE PRESIDENT, AMERICAN SOCIETY OF APPRAISERS

Mr. Reclite. My name is Peter Reclite. I am international president of the American Appraisers. I am an appraiser from California. You have our statement in front of you and in the time we have remaining, I hope that your bill puts some teeth into it and gives the GSA and the Bureau of Land Management some power to go out and sell.

Right now they are shackled. It takes them 6 years to get the paperwork done. Something has to be done. If this couldn't be done, then I think these two agencies should be disbanded and you give the selling and appraising of this property to the private sector.

I would like to turn over now to Mr. Gadd from Chicago.

Mr. Gadd. I am from Illinois and I want to tell you that my inquiries into different governmental agencies, within the State of Illinois, indicates to me there is a lot of people there who believe in what you are doing and that they are doing their very best right now to get rid of surplus property they have to sell, and so not to have to appear that they have not been cooperative.

The State highway commission is doing its best to sell sufficient surplus property. They have about 700 properties and they are going to sell 175 in a month. Mayor Byrne is doing a fine job. She sold $32 million worth of surplus in 1980. She is making an effort there.

I think the cities see the advantages, and the States also see the advantages to getting rid of surplus properties. Take that money and use it to pay off the debt, which will help our State's financial position.

I think the only problem we face as appraisers is we know that the properties are now sold through GSA by bid and have a tendency to be looked at as liquidation value and not fair market value. Some type of marketing effort has to be made by GSA over and above what they are doing, now, to bring it through the National Association of Brokers or any other type of organization that can help the Government market those properties properly so we can get fair market value.

We appraisers, when looking at a property that GSA has sold, we always are very careful, because we know that in many cases it is not market value; it is being sold at a distressed price to speculators who buy those properties, and if you watch the resale of those properties over the period of 4 or 5 years, you find they have been resold by that speculator at a profit.

However, that does not happen all the time. We would like to see the method of liquidating these properties under better control, better marketing and whatever you can do to help assure getting higher prices.

I have no more to say, except that we do back your bill. We think it will help get our country back on its economic feet. We are tired of seeing huge dollar amounts being spent for maintenance and security services, with buildings that are only partially utilized, when maybe some consolidation of those buildings could be done, and it would reduce the cost of maintaining these huge building square footages of industrial and commercial property. Thank you.

Mr. GOODMAN. I want to say all the appraisers at this table have been approved by the GSA panel as outside appraisers and we have performed appraisals for the GSA. You have alluded to the personnel they have on staff and let me assure you they are professional, competent, and at times, they are disconcertingly precise in their review of appraisals.

I want you to be assured that the evaluation counsel that you get from outside appraisers and the GSA staff is serving the public well.

You had talked before about Fort DeRussy. You talked about Las Vegas and Palm Springs. I am going to say something with a little local pride, these programs do in fact work, local pride because this take place in my back yard in Nassau County.

A number of years ago, Mitchel Field was deactivated which contained 1,200 acres of unused lands, just barracks, old air fields, old hangars.

That land has been transformed; at present it contains an FAA radar control center that services not only Kennedy, La Guardia, and Newark, but 25 local airports in an 80-mile radius. We have office buildings, hotel, Nassau Coliseum, research and development; housing is being created, as well as Little League fields, parks, recreation facilities.

The entire project will be completed by the end of 1985. This reuse and development does work. When you talk in terms of supply-side economics, jobs have been created, jobs have been saved, taxes generated, payroll generated. This is a viable project that benefits the region.

The concept of selling these properties and developing them and being economically viable not only to the community but to the general region is a wise course of action.

I do thank you for the few moments.

Senator PERCY. Mr. MacBride?

Mr. MACBRIDE. We would like to emphasize three final points, Senator.

The first is, it is simply unbelievable to us, perhaps—I don't know whether you have been shocked, but it is unbelievable to us—the public understanding of what your resolution proposes; the general sympathy with the idea there should be good housekeeping, that good housekeeping can reach into real estate that the Government owns, that the real estate should be reduced to the minimum needed for proper utilization and services of Government. The public understands this.

Let me give you one example.

Yesterday afternoon I was called by the New Jersey Turnpike Authority—they have a commission of five or six members. They have heard through our society, the American Society of Appraisers, about our interest in surplus properties.

They became enthused and the commission decided that it would conduct a total inventory of the Turnpike Authority parcels all over the State. They said they have many surplus parcels; they are agreed that the Federal Government is interested in this problem, they are going to be interested in it. They told me with some pride: "You know, we consider the New Jersey Turnpike Authority to be the world's finest bureaucratic organization and the most efficient," and they said not only are we going to do what we think the Federal Government is trying to do, we are going to take it a step further and we are going to analyze every one of our sites and see if we can dispose of our air rights as surplus property.

I am fascinated this is taken up so quickly and we have been pleased with the interest the public has displayed and the editors in the press that you mentioned, the news features, the public understanding which appreciates this concept.

The second thing I would like to emphasize on behalf of our society—you know that we have supported your staff, we have enjoyed the relationship of working with them—we now have appointed a 75-member committee called the Technical Resources Team. This team of men and women who are expert evaluation people are working all over the country right now; they are digging into every Federal, State, city, county—and in Louisiana the parish situations—asking the questions and the questions really come down to this three-tier level: (*a*) how much real estate do you have; (*b*) how much is surplus; (*c*) how much is underutilized?

This is a very simple thing to ask in trying to get data on this. There is no clearinghouse in the United States. No one knows the extent of this problem. It is too fragmented; we are trying to get some kind of total national perspective, and one of the things we are going to add is, we are going to go to the Governors of the States and to the managers of the major cities and to the supervisors of the major counties and we are going to ask the three questions, and urge them to turn their attention to this. Thus far we have found, to our amazement, when the questions are asked, the Governors and the city managers of principal cities do not presently have data on how much real estate they are supervising; how much is surplus, and how much is underutilized. And we think when this is brought to their attention, they will—just as quickly as the New Jersey Turnpike Authority—they will say: "This is of interest to us, this is good housekeeping, this is potential revenue and we want to be about this business."

The last thing we would like to say to you—occasionally we have talked with people who are inclined to say: "This whole surplus property situation is a mess that has been created by ineffective, inept civil servants and public employees; they don't know what they are doing."

We have found—it is our impression after looking at this situation, and we have been in the business for 30 years, most of us long in this business—we strongly believe that is a poor picture and not a correct picture to present at all.

The truth of the matter, from what we have already found, there are four conditions that exist in most of these government entities: One, the real estate management concept is "low man on the totem pole;" two, the real estate people who have to handle this problem generally describe themselves as understaffed; three, they appear to be buried under redtape; and four, they are vested with almost no significant priority rating.

It is our premise with the powerful congressional spotlight that you have placed upon this problem, with the wonderful swiftness with which the 1983 budget incorporates criteria to achieve this, with the swiftness of the President's Executive order, we feel impressed that the Federal Government is now starting on its way to getting the job done and now, through this forum, and through the public press, and through our contacts, we are going to try to carry this story to the States, the cities, and the counties.

We do feel that the one principal lack may be the President's Property Review Board—composed of very prestigious and overburdened people and a staff that has not yet been measured for size, with interdependence with GSA and the other governments--that it might be very wise to consider the formation or the creation or the incorporation of a citizen's or private commission or panel which would have its burden and responsibility the paralleling of the work but from the nongovernmental aspect, and this commission would encourage, would stimulate, would put a spotlight on, would ask questions, would be an assistance to the total program.

We are very pleased that this idea is taking hold and that steps are being taken to implement it. We are working with this and we are supporting you and your staff and Congress, all of whom have been helpful in this matter, and we feel this is pertinent for the economic health for the American community.

We congratulate all of you for it and we are pleased to be a part of it.

Senator PERCY. I thank you very much indeed, and we will look forward to working with you.

The estimates that we have from the administration is that they anticipate a minimum of $4 billion a year being added to the Federal Treasury as a result of this program and it is very encouraging. Add to that debt collection estimates over the next 5 years, the administration is now subjected—if we can get into law the Debt Collection Act of 1981 this year, as we anticipate doing, that will add another $22 billion over the next 5 years and that is barebones minimum.

So we are talking about money and your organization is very worthwhile.

I would like to leave one question with you if it is possible for you to give an estimated answer for the record. I would appreciate it.

Taking into account that you had the same shock I had when I realized the U.S. Government literally did not know what the value of its assets are, most of the 775 million acres of federally owned land is valued at the acquisition cost of the property about $130 billion for every single bit of it, that means that land in California is valued at $21 an acre, all property owned by Government in Washington, D.C.—13,000 acres—is valued at $161 million total, that is no more than what David Stockman told us 12 acres of Federal land on Waikiki Beach are probably worth.

Is there any way that your national organization can give us, taking into account these rough ball park figures, give us what might be the more fair market value of those properties that we would be listing. I don't know whether it is possible at all. Your guess would be better than anyone else's that we know of.

What we are shooting for is to look at $1 trillion of assets that are on the books and $1 trillion of debt, we are in bad shape. I don't think we are in that bad shape. Maybe it would be a little sense of confidence that encourages us a little bit to think that our assets are worth a great deal more than that.

Mr. **Reclite**. The Federal Government does not know what they own. It is hard for our organization to put a value on that. We don't know what exists and in what form it exists.

Senator **Percy**. We are going to try to get them to define it better. But if at any point you can enlighten us as to what the potential value would be, we appreciate it.

[The prepared statement of Messrs. Reclite, Gadd, Goodman, and MacBride follow:]

PREPARED STATEMENT OF MESSRS. RECLITE, GADD, GOODMAN, AND MACBRIDE

Mr Chairman and Members of the Committee:

It is a privilege to participate in this public discussion of problems related to the management and disposal of Government Surplus Real Property assets.

Representatives of the American Society of Appraisers appreciate the courtesy which you and your staff have extended during our mutual research efforts into Surplus Property Practice and Procedure. Equally, we appreciate Congressman Winn's courtesy in this important undertaking.

* * * * *

THE ISSUE

Your Congressional Resolution S-231, and Congressman Winn's House Resolution H.265 have clearly described the issue: the need at this time of national economic exigency to -

(a) Inventory

(b) Appraise

(c) Sell at Fair Market Value

the Federal Government's Surplus Real Properties.

PROGRESS TOWARDS SOLVING THE ISSUE

(1) The companion Resolutions have received strong support from your Congressional compeers in the Senate and the House.

(2) President Reagan's 1983 Budget Proposals incorporate categoric criteria designed to accomplish the broad goals advocated by your Resolutions.

(3) Executive Order entitled "Federal Real Properties" was issued by the President, February 25, 1982. The Order establishes a Property Review Board. In general,it provides for review, inventory, appraisal and disposal of Surplus Property at Market Value.

(4) Public reaction has been equally swift and strongly supportive. The communications media — including press, radio, television — have reported the concept and viewed recent developments with a keen eye toward a "commonsense" approach for selling Surplus Real Estate in a time of national financial stress.

THE AMERICAN SOCIETY OF APPRAISERS' POSITION

(1) Our Society - one of the major professional valuation societies in the country - has supported the Percy-Winn Resolutions from the outset. We appreciate the President's 1983 Budget Proposals toward achieving Market Value sales of Surplus properties. The February 25, 1982 Executive Order is direct, action-orientated implementation of the concept that the Federal Government's "Real Estate House" should be brought into order.

(2) The American Society of Appraisers believes that the Surplus Properties program, to be successful, must have strong support from four sectors: Congress, the President, the Public and the Technical/Professional (Real Estate) Community.

(3) It is important, at every step, that our consensus be stated; this program does not include such properties as National Parks, Historic Sites, National Monuments, Wildlife Sanctuaries, Wilderness Areas and similar National Environmental Treasures.

(4) As a result of our initial exploratory investigations, it has been, and remains today, the contention of ASA that the Federal Surplus properties may number some 5,000 parcels, and that the total worth of these 5,000 parcels may approximate $100 Billions.

(5) ASA further advocates the establishment of a "Private Surplus Properties Commission", whose work would be to assist in probing, classifying, publicizing the many facets of the Surplus Property program. This work would be ancillary to, and supportive of, the work of the President's Property Review Board. Members of the private commission should come from the technical private enterprise community such as the leadership of the several national valuation societies.

THE PROBLEM: GOVERNMENT MANAGEMENT OF SURPLUS PROPERTIES

There has been ample relevant testimony placed before your Committee (February 25, 1982) concerning the multiplicity of problems which have existed and accummulated over the past 30-40 years.

ASA sees no reason to dispute the summary judgment of Better Government Association that the Federal Government's property disposal system is -

- "a complex web of conflicting interests"
- that Federal Departments "show little trust in one another" (re Surplus Property disposal, exchange, sale).
- that Local Governments are reluctant "to cooperate toward effective disposal of Surplus property".

Further, we see no reason to dispute the B.G.A's research/reports about disposal methodology:

(a) Negotiated Sales("bitter negotiations lasting 4-5 years"; illustrated by the "Philadelphia Naval Home" parcel).

(b) Competitive Bids ("highly susceptible to political meddling"; illustrated by the "Denver Mint" parcel).

(c) Donated Surplus ("misuse of properties or failure to use at all"; illustrated by the D.G. University parcel in Davis, California).

(d) Disposal Deadlines ("routinely ignored"; illustrated by the Nike Missile parcels in Hawaii).

B.G.A's 4 major recommendations, to remedy the above outlined flaws, are thoughtfully conceived and worthy of your Committee's careful attention.

"GLAMOR" PARCELS

It is easy to become fascinated with the unusual glamor-tinged examples of surplus government property to the exclusion of the run-of-the-mill properties.

The 72 acres of Fort De Russy (including 26 acres of prime Hawaii beachfront with a 416-room luxury high-rise hotel) constitute a prime target for all of us —— public, press, investigative bodies. Equally, the Brooklyn Military Ocean Terminal (the "final sale for $8.5 million to N.Y. City was only made possible by a Federal Economic Development Administration Grant of $4.5 million to the City"!) is another "glamor" example.

So too are such other glaring examples as the former CIA Safe House (Ashford Arms, Chesapeake Bay); the Radio Noise Test Site(Department of Commerce, Hawaii); the U.S.A. Mint Assay Office in New York City.

But there are hundreds upon hundreds of not-so-glamorous parcels which deserve equal attention. What is the Federal Government's position regarding, say, some 50,000 (estimated) parcels accumulated by the several State Highway Departments (oversight responsibility, the Federal D.O.T.)?

On a 90-10 or 80-20 'Matching Funds" basis, how many of the reported thousands of excess parcels in the State of Idaho should be reviewed by supervisory Federal representatives?

What are the appropriate steps to take in reviewing the "Type IV" Public Lands in the 11 Western States? Some 11 million acres were reported in 1964 by the Department of Interior to be lands which "under any test, should not be retained under B.L.M. administration".

Considering the extent of accumulated problems and accumulated parcels of surplus real estate. there can be little valid argument against O.M.B Director David Stockman's summary comments before your Committee relative to -

(1) lack of basic information - "on what properties the Federal Government holds".

(2) the "few incentives" for the Federal Government to evaluate its unused - partially-used properties..

(3) the lack of incentives for the Federal Government to evaluate whether missions "could be accomplished on less valuable land".

(4) the Federal Government's "dismal record of evaluating land holdings against the criterion of Highest and Best Use".

(5) the fact that "Government Agencies continue to maintain operations on high value sites even though these operations could be relocated to lower cost areas without any negative effects on the program".

Congressmen Winn and Kramer, advising on this subject, indicated similar concern:

> "Government agencies do not have the same budgetary incentives that private companies have to sell off what they don't need" (Winn).
>
> "Since the 1930's ----- our policy towards Federal Land has been one of acquisition rather than disposition(Kramer).

SPECIAL QUESTIONS

(1) How many parcels are surplus to Government needs?

No-one knows; there is no central "Clearing House" with complete data. ASA's initial investigation led to these approximations:

Federal Surplus Parcels	5,000
State, City, County / Parish parcels	175,000

(2) How do you find the parcels?

Your own research; Senator Percy,provides eloquent response recently (2.25.82);

> "In the Washington, D.C. area alone, there is a 'goldmine' of unused parcels; see the photos on exhibit. If my staff can stumble upon these ---- imagine what can be found nationwide. We need cooperation; this is the area for the big pay-off".

(3) How do you keep the Federal Government from "stonewalling"?

How do we sell the parcels?

Congressman Kramer touched upon this sensitive area --

> "when this program develops, many agencies will feel threatened. Foot-dragging could torpedo this project".

Additionally, the question was asked:

> "Can we get enough support to overcome the Special Interest groups -- the Military, the States, the Cities, the Counties?"

You noted, Senator Percy;

> "GSA cannot seem to sell. The private sector takes an average of six months to sell. Can we consider turning to the private sector at far less cost? ----- Also, let us consider putting the selling program under a bonus arrangement to assure cooperation".

SURPLUS PROPERTIES AND THE GOVERNMENT EMPLOYEE

It is a special concern of ASA that the accumulated problems of 30-40 years and the consequent accumulations of surplus real estate, should not be considered a specific, isolated problem caused by neglectful or incompetent Government personnel.

Our current investigations throughout the nation reveal the surplus property departments of most government agencies to be:

(1) "low man on the totem pole".

(2) understaffed

(3) buried under red tape

(4) vested with no significant priority rating.

Again and again, we find the need for (a) placing high priority on the disposal of Surplus Real Estate, (b) allocating significant responsible staff (c) eliminating restrictive time-consuming regulations and restrictions (d) focusing a spotlight of publicity, interest, intensity upon the entire surplus property management program.

If our current proposals are to succeed: we need the help of every government surplus property manager, appraiser, real estate specialist, Right of Way agent. Without their expertise, experience and dedicated assistance the programs we are proposing will ultimately founder.

THE ASA TECHNICAL RESOURCES TEAM

Because there is so little information available about the Government Surplus Property holdings, (number of unused parcels, partially-used parcels, parcels not employed at Highest and Best Use, acquisition costs, maintenance costs, current Market Value etc.) the American Society of Appraisers has created a Technical Resources Team. Team members are Valuation experts; they represent all States and Regions; the team is presently composed of some 75 members.

It is the current (volunteer) mission of the Team Members to obtain information about the surplus property situation in their area — at Federal, State, City, County levels.

The data collected are forwarded to the ASA International Headquarters for review and interpretation. These data will be used for informational purposes and will be made available to your Committee and other appropriate legislative groups. Summaries will be shared with interested persons and with the communications media, in order to keep a "spotlight" on the issues, upon the progress of our initial efforts, and upon new aspects which may and should develop.

Just as the current economic crisis is all-pervasive, affecting all of our governments and our citizenry, so is the nation-wide problem of managing our country's real estate assets.

Therefor, ASA is examining all types of surplus properties regardless of the level of government involved.

Getting the Federal (Real Estate) House in order is but the first step.

As the "New Federalism" shifts responsibilities and programs to the States, new priorities (costs, taxes, budget relationships) will be forced upon the States. In turn, new burdens, new responsibilities, will be placed upon Cities and Counties.

PERSPECTIVE

We must achieve a national perspective, a total Government practice/procedure/understanding, to properly address problems dealing with surplus real property.

To illustrate;

The City of Detroit is reported to have some 19,000 surplus properties. In what ways do these parcels impact upon the economy, the people, the future of the State of Michigan?

The City of Baltimore may have some 1,800 living units with title vested in City authority; all but 30 are reported vacant. What is the relationship of these properties to the Federal Government (HUD)? What socio-economic problems do these residential units impose upon the State of Maryland?

The City of Orlando is presently reviewing every parcel of real estate that it owns. The "Highest and Best Use" concept is being creatively and rigorously applied to every parcel as a yardstick to measure effective Property Management and Surplus Property disposal.

In what way is this a valuable "guideline" for the State of Florida (and for possible Federal emulation?)

* * * * * * * * *

The surplus real property problem is nation-wide, Government-wide. It deserves top priority with solutions to be created and implemented. The American Society of Appraisers is working and will continue to work with all interested persons, groups and organizations towards determination of best solutions.

It will take the best leadership and the most effective work of all concerned to achieve positive, practical results.

Senator **Percy**. In closing I would like to thank all our witnesses today for giving such fine statements and helping us keep at least fairly close to our schedule. I will ask that the record remain open for 30 days to incorporate any additional comments which you or anyone else may wish to submit.

At the soonest possible date, I shall request a committee markup of Senate Resolution 231. At that time, I shall offer an amendment clarifying my position on public domain lands. I look forward to working with the groups represented here today between now and the date of the markup.

The hearing is adjourned.

[Whereupon the committee adjourned subject to the call of the Chair.]

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

97TH CONGRESS
1ST SESSION

S. RES. 231

Regarding the management of United States assets.

IN THE SENATE OF THE UNITED STATES

OCTOBER 20 (legislative day, OCTOBER 14), 1981

Mr. PERCY submitted the following resolution; which was referred to the Committee on Governmental Affairs

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RESOLUTION

Regarding the management of United States assets.

Whereas the debt of the United States now exceeds $1,000,000,000,000;

Whereas the acquisition cost of the assets owned by the United States also exceeds $1,000,000,000,000;

Whereas many Federal properties have appreciated significantly since they were acquired, so that the true value of the tangible assets of the United States may be substantially more than $1,000,000,000,000;

Whereas the Federal Government has no idea what its assets are currently worth;

Whereas the Federal Government currently has surplus property with an acquisition cost of $1,323,387,000 and may have property worth many times this amount that is not needed by the Federal Government, but has not been declared surplus;

Whereas most properties declared to be surplus to the needs of the Federal Government, of which many are quite valuable, have been given away;

Whereas the proceeds from those few Federal properties sold at market value have been used, not to restrain or reduce the national debt, but to acquire more Government property;

Whereas Federal assets are the property of the American people, but they have not heretofore been managed to the maximum benefit of the people;

Whereas without an up-to-date inventory of Federal assets, there is no way to distinguish between those which are needed and those which are not; without knowledge of the approximate market value of such assets, there is no way to set priorities for liquidation; and without improved procedures the Government may be unable to liquidate unneeded assets at their market value;

Whereas many Federal properties could be liquidated without damage to the public welfare, and often without changing the present public use of such properties;

Whereas the Federal Government can continue to increase the national debt only at the risk of serious damage to the economy of the United States and other national economies throughout the world;

Whereas the liquidation of carefully selected Federal properties could contribute to restraining and ultimately reducing the national debt of the United States: Now, therefore, be it

Resolved, That it is the sense of the Senate that—

(1) the Government of the United States must manage its assets in a manner more prudent and beneficial to the interests of the American people;

(2) the President should immediately direct the heads of all executive branch agencies to inventory their assets (except for national parks, monuments, historic sites, and other holdings for which an inventory would serve no purpose), to estimate the approximate value of each asset, and to identify the uses to which each asset is put;

(3) the President should then identify which assets are surplus to Federal needs and should be candidates for liquidation;

(4) the President should submit recommendations to the Congress of the United States on any legislative and administrative revisions that may be needed to carry out such a program of liquidation in an orderly manner;

(5) the receipts of this program should be used only to restrain and ultimately reduce the national debt of the United States; and

(6) the Comptroller General should investigate and recommend to the Congress and each agency improved processes for managing Federal assets, estimating their value, and liquidating those which are unneeded.

—

ASSISTANT POSTMASTER GENERAL
Government Relations Department
Washington, DC 20260

March 5, 1982

Honorable Charles H. Percy
United States Senate
Washington, D.C. 20510

Dear Senator Percy:

Recently our respective staffs have been discussing the interest of the Postal Service in your current hearings on the general subject of Federal agency property disposal policy and on the specific provisions of S. Res. 231, to require an inventory of United States assets, to estimate their market value, identify which are unneeded and can be sold, and to recommend legislative and administrative action to streamline the liquidation process.

Since passage of the Postal Reorganization Act with its requirement that the Postal Service conduct its operations as economically as possible, postal management has been acutely aware of the need to wisely and effectively manage postal assets. This management includes the productive disposal of surplus postal property. As our activities in this area and our attempts to develop new approaches to the property disposal question are in line with the current review being undertaken by the Governmental Affairs Committee, we have requested in our discussion with your staff, that a statement of the Postal Service's views on the disposal of surplus property be included as part of your Committee's permanent hearing record.

Accordingly, I have enclosed a statement by Postmaster General Bolger on this subject and request that it be made a part of the record of your February 25 hearing.

Postal Service management would be pleased to further explore this subject with you either by offering testimony at a subsequent hearing or by meeting with you and your staff to brief you on our surplus property disposal program and to share with you our thoughts on the multi-use development of government properties referred to in the enclosed statement.

If you have any questions on the attached or should you wish to further discuss this matter, please have your staff contact me at 245-4181.

Sincerely,

Edward E. Horgan, Jr.

Edward E. Horgan, Jr.

Enclosure

Statement of Postmaster General William F. Bolger

On Federal Property Disposal Policy
Before the Senate Committee on Governmental Affairs

February 25, 1982

The Postal Service appreciates this opportunity to express its views as this Committee reviews the matter of the government's program to dispose of excess assets.

Operating under the Postal Reorganization Act, the Postal Service is responsible for providing postal services throughout the country, and is required to conduct its overall operations as economically and on as near a break-even financial footing as possible. This means that prudent asset management including the disposal of any excess assets, is one of the necessities for the Postal Service to meet its financial responsibilities. Accordingly, the Postal Service has an active program to dispose of property that is excess to its needs. This program does not affect the Federal Budget since postal transactions are outside the budget totals. But the revenues and savings from effective postal asset management do help to hold down the postal budget and thus hold down the need for increases in postage.

It should be recognized that in a dynamic operation such as the Postal Service, in which population patterns and service requirements are constantly changing and in which continual operational improvements make plant alterations necessary, movement out of old facilities and into new facilities is a constant fact of life. Thus the Postal Service is always expanding its needs for space somewhere while contracting its needs for space elsewhere. The result is a continuing need to dispose of excess space. In seeking ways of disposing of this space, we look to other government agencies and to the general public to be potential partners with us.

Attached to this statement are two tables which summarize the activities under our chief programs for realizing income from the use of excess real property assets. Table 1 illustrates the recent trends in and the shape of our current outleasing and subleasing program, under which the Postal Service leases space in postal owned buildings and subleases space in postal leased buildings, primarily to GSA (on behalf of other Federal agencies) and secondarily to non-federal agencies and to the general public.

Table 1 shows that more than $30 million per year is now being realized under the outleasing program, of which more than $26 million is realized from leases to other Federal agencies under

GSA administration. Table 2 demonstrates the results of our disposal program over the last several years. From having had very little disposal activity in the early years of postal reorganization, this program has grown to a point where it has produced well over $20 million annually in the last several years.

We firmly believe that property owned by the Postal Service should be placed into service for a postal purpose, held for a reasonably immediate-term future postal need, or disposed of. For these reasons, the Postal Service has impressed upon its managers the need to identify surplus properties and surplus space in occupied properties for sale or leasing to others. We are thus completely in accord with the general thrust of initiatives now being undertaken to stimulate an active disposal program by the federal government.

The Postal Service reads its statutory responsibility under the Postal Reorganization Act to require that reasonable compensation be paid in all instances when postal properties are disposed of. If the rationale for encouraging a more active government disposal program is that the government should operate in a more business-like manner--and we believe that this rationale is appropriate--then disposals should truly be conducted in this way. Agencies should fairly, openly, and as competitively as the unique features of real estate properties permit, dispose of assets as productively as possible. Gifts of assets or sales at less than market value should not be required, since they would constitute hidden subsidies burdening rather than benefiting the taxpayers.

There is a related area that we would like to touch on. The Postal Service is finding an increasing number of situations in which it seems that the requirement for the most productive use or disposal of assets can best be met by involving private real estate developers in a joint enterprise with us. This can be true when high-priced land is purchased in a relatively developed area for a new facility, when the need for space in older facilities changes, or when it appears desirable to undertake new construction above or around an older structure. Certain specialized government agencies are no strangers to multi-use development but, to our knowledge, the federal government in general--including the Postal Service--has not engaged widely in this type of real estate activity.

We believe that in some instances this type of multi-use development holds the key to realizing the highest and best development of government properties. Certain problems, however, will have to be faced squarely if the government is to enter this area. One involves the many restrictions, legal and otherwise, that limit government agencies in their dealings with their property. A primary example would be the limitations imposed in the area of disposing of or developing properties considered to have historic features. A second area involves the possible critique that government agencies engaging in these types of developments may be competing unfairly with private enterprise. If the cry that the business of government is government and not to dispose or participate in the development of real estate or other assets is credited, then an aggressive and creative disposal program may never get off the ground.

It will take a measure of boldness to launch the government in these new directions. For example, the creative development of certain real estate involves more subtle contracting than is involved in typical purchases and sales. The more flexible--and necessarily more subjective--contracting that will be required is in some respects inevitably subject to greater abuse, but this does not mean that it should be rejected as inappropriate. Administrators under a system permitting this measure of flexibility will be called upon to demonstrate the highest standards of honesty, but they will also need the backing of courts, administrative bodies, and public officials in the reasonable judgment calls which they will have to make.

The Postal Service is currently exploring the possible multi-use development of several properties, including the Grand Central postal facility in Manhattan, the Rincon Annex in San Francisco (a building soon to be largely vacated when our new General Mail Facility opens late this year), and a parking lot in Honolulu. The huge General Post Office building in New York also has the potential for multi-use development. To sink perhaps as much as $100 million or more into the rehabilitation of such a structure without exploring ways of putting this vast space to a more efficient use would, in my opinion, be irresponsible.

In addition to benefits to the Government, the kind of development we are discussing would benefit cities, by returning property to the tax rolls, in whole or in part. In some instances, moreover, the development could give a major push to private revitalization efforts.

In closing, let me turn to one additional matter. The Committee staff has asked whether there is extra land at our recently acquired training facility in Potomac, Maryland, which could be sold. My opinion is that the potential for income production here is little if any.

The Potomac facility, which is situated on 83.3 acres, is expected to accommodate up to 500 trainees, plus staff, when it is in full operation. Given the limitations posed by the layout of service roads, buildings, and the contour of the land itself, the sale of a few acres along the fringes of the property could not be expected to produce very much income. We believe we should concentrate our efforts on other facilities, where the income potential and benefits to the surrounding community are greater.

We appreciate this opportunity to support the efforts of the Committee to encourage a more active government-wide program to dispose of unused or underutilized government assets. This concludes our statement.

TABLE 1

OUTLEASED/SUBLEASED INCOME ANNUALIZED (000)

	1st Qtr. '78	1st Qtr. '79	1st Qtr. '80	1st Qtr. '81	1st.Qtr. '82
Northeast	$ 88	$ 130	$ 204	$ 220	$ 199
Eastern	99	159	177	224	217
Central	223	435	492	486	477
Southern	476	594	723	840	922
Western	456	518	658	956	1,063
Headquarters	1,008	1,008	1,017	1,044	980
GSA	24,030	24,273	24,273	25,795	26,732
TOTAL	$ 26,380	$ 27,117	$ 28,067	$29,565	$ 30,590

Source: Postal Data Centers

Note: Regional and Headquarters lists exclude GSA income, all of which is listed beside the heading "GSA."

TABLE 2

DISPOSAL OF EXCESS REAL PROPERTY

Fiscal Year	Number of Sales	Revenue (000)	Active Cas End FY
1973	4	352	
1974	12	3,899	
1975	15	2,718	
1976	38	10,857	
TQ	12	1,829	
1977	57	12,215	113
1978	45	15,719	106
1979	52	24,152	80
1980	39	22,330	88
1981	34	37,948	85

TQ - Transition Quarter

Source: USPS Office of Real Estate Records

STATEMENT OF RICHARD D. LAMM, GOVERNOR, STATE OF COLORADO

Mr. Chairman and members of the Subcommittee, I am pleased to submit for the record my written testimony on Senate Resolution 231. The resolution before the Subcommittee and its companion in the House, H.R. 265, recommend a change in the way the federal government manages its real property and assets. Both call upon the President to inventory the assets of the United States, estimate their value, identify which are unneeded and can be sold, and recommend legislative and administrative actions to streamline the liquidation process. At a time when all levels of government are seeking more prudent and efficient means to manage assets in order to better serve our constituents, the obvious intent and objectives of S.R. 231 should be given full consideration. Testimony previously submitted has already disclosed several prime examples of federal real property, buildings and other improvements which could be sold. After reviewing some of that testimony, I would agree that excess, unused properties should be sold and that receipts should be credited against national deficit.

I am pleased that the Chairman, other sponsors and the Administration agree that our national parks, wilderness areas and other national natural treasures should be exempted from the disposal process suggested in S.R. 231. I am equally pleased that the Chairman's opening remakrs before the Subcommittee on February 25, 1982, explicitly noted that "there are hundreds of millions of acres of public domain land which are not national parks, wilderness areas, or the like" and that he was "not advocating that we sell these properties." Chairman Percy went on to say that "the question of whether these properties should remain under federal ownership is an extremely difficult issue, one that I am not addressing in my Resolution." Without hesitation, I commend Chairman Percy and support his intention to exclude public domain lands from his definition of excess, unused property which should be sold. While the Chairman's remarks are reassuring, my fear is that his Resolution does not make the same statement. Congress should amend both S.R. 231 and H.R. 265 so that public domain lands are also explicitly exempted as are national parks, etc., from any liquidation process. If such amendatory action is not taken and the public lands are returned to private ownership, this Nation and the generations of Americans yet to follow will suffer a loss many times greater than the one-time fiscal harvest could ever hope to provide.

If public lands are not excluded and are considered for sale as some members of Congress and Administration spokesman have suggested, then I must oppose any federal assets management with that objective.

Senate Resolution 231 Testimony
Richard D. Lamm
April 9, 1982

I am concerned that S.R. 231 could be easily interpreted to provide direction and momentum to those who advocate prompt and large-scale sales of public lands. President Reagan recently established by Executive Order a Property Review Board designed to speed up the sale of federal lands, developed properties and other federal improvements. Interior's Bureau of Land Management and Agriculture's Forest Service are on a fast track to determine the extent and value of public domain lands which could be sold within or outside of existing authority. When these actions are considered within the context of the Administration's concept of "privatization", that is, the sale or transfer of all public lands into private hands, one cannot help but be suspect about the future of this Nation's public lands. Even the survivors of the Sagebrush Rebellion have seemingly shifted their objective from seeking massive transfers of federal land to states to one of supporting the newer concept of "privatization".

I would like to put my concerns in a much broader context. There is no more historically rich and profound area of public policy than that of public land and resource law. Throughout the century, the Congress of the United States has provided a full and precise body of resource law through which a fundamental principle has emerged. That principle is simply that the public's resources be managed in a manner which benefits a broad spectrum of presesnt and future generations.

While resource utilization issues have been very controversial, there has remained over the decades an unbroken linkage of this principle. Throughout Presidential terms, and through enactment of significant resource law, the philosophy has provided that government has a responsibility to manage resources for the broad interest of the public. Gifford Pinchot coined the very simple saying: "The greatest good for the greatest number for the longest time."

President Theodore Roosevelt chastised the nation for not exercising appropriate management control: "In a word, we have thoughtlessly and, to a large degree, unnecessarily diminished the resources upon which not only our prosperity but the prosperity of our children and our children's children must always depend."

Implicit in the principle of public resource management is the proper role of government -- as the steward, as the manager, as the public's agent in the allocation of its resources. The Reagan Administration seems to desire to break this policy tradition and transfer heretofore public resources and responsibilities to the private sector.

I maintain that there is no need for the relationship between government and the private sector to be adversarial. In order for both sectors to function properly, a high level of cooperation must be established. However, the roles cannot be confused. The private sector can no more assure protection of the public interest than government can "make" the marketplace function efficiently.

The new philosophy of privatization seeks to have the marketplace determine how public lands are managed. The new approach seeks to convey public lands to the private sector -- to sell off our national heritage to raise funds to cover budget deficits and reduce national debt.

While deficit reduction clearly is one of the most critical issues facing this country, I believe that to do so at the expense of our public lands is dead end, short sighted and makes mockery of the public interest of this and future generations.

Previous testimony has reviewed for the Subcommittee the evolution of public land and resource policy. I would like to briefly emphasize several important public policies which are threatened by privatization. The hallmark report of the Public Land Law Review Commission issued in 1970 set forth government's management responsibilities with clarity. The Commission first sought to reverse a policy of lands disposal and held that public lands "whose values must be preserved so that they may be used and enjoyed by all Americans" generally should be held in federal ownership.

The comprehensive congressional rewrite of public resource law, "Federal Land Policy and Management Act of 1976" (FLPMA), sharply and soundly reaffirmed the wisdom of the Commission. FLPMA declared that public lands should be retained in federal ownership unless it was clearly determined that disposal would serve the "national interest", and, more importantly, the Act reembraced the concept of conservation. Thus, in 1976 the Congress of the United States reaffirmed that public resources should be utilized in a manner which best meets "present and future needs of the American people", and cautioned considerations beyond the "greatest economic return" should drive public resource decisions. (emphasis added)

The goal of conservation in resource management has several dimensions. First, the concepts of "multiple use" and "sustained yield" provide a goal of stretching the available resource base over time and balancing competing resource interests to achieve a broad spectrum of uses. A fundamental policy exists that a wide variety of resource uses be achieved regardless of whether they return an equal "profit" to the Treasury. Further, FLPMA reaffirmed the goal of managing certain public resources -- not for profit, not for productivity -- but to preserve "the quality of scientific, scenic, historical, ecological ... archeological values ...."

In short, Mr. Chairman, I believe that the disposal of public lands and resources under any disguise, be it through a Property Review

Board or a loose interpretation of well-intended Resolutions, ignores the public interest, Congressional intent, and sound land management principles. I urge you to reject the notion that public domain and forest lands are marketable assets. Rather than selling off the public domain to balance the budget, we should once again reaffirm the national policy of retention, while at the same time, increasing our commitment to sound resource management. I firmly believe that the public domain must remain a manageable resource, not a one-time marketable asset.

FLPMA provides a mechanism for the sale or exchange of public lands. Such transactions are to be carried out as an integral part of a comprehensive, multi-disciplinary planning and inventory process which applies public and national interest criteria. I support such sales and exchanges. In fact, several Colorado communities are presently involved in the FLPMA process to acquire badly needed land for community expansion and public facilities.

I feel obligated to point out, however, that the Interior Department's FY 1983 budget requests for the planning and inventory functions of BLM have been drastically reduced, in some cases nearly fifty percent. Such reductions will ultimately if not immediately reduce the quality of public land inventories. Planning processes will, in my estimation, suffer and be impeded to the point that both public and private sectors will demand action for either better management or, ultimately, disposal of public lands. The Administration seems to be burning the candle at both ends. Reduced management and planning functions on public lands (in the name of budget cuts) will assure their failure as a manageable resource.

The extent to which any new federal assets management program would restrict states, units of local government and other nonprofit entities from acquiring federal property at less than market value must be thoroughly reviewed. Abuses exist and mechanisms should be applied which assure that the public interest for which the sale or transfer was made is fulfilled. I firmly believe, however, that an outright preclusion of such transactions will undermine the ability of states and local governments to provide much needed recreation and open space.

In summary, Mr. Chairman, I support your efforts to seek a more prudent and efficient system to manage this Nation's assets. A sound and solid assets management program must have as its foundation up-to-date inventories and evaluations, and unused or surplus property should be liquidated. I would support such a program, provided that it leave intact the basic structure of the public domain land holdings. Streamlining of disposal processes should be considered and the states and affected units of local government should be consulted as to their needs and problems with existing mechanisms.

Senate Resolution 231 Testimony
Richard D. Lamm
April 9, 1982

As Governor of the State of Colorado, a state in which the federal government owns thirty-five percent of the land surface and manages nearly 23 million acres of public domain, I appreciate the opportunity to comment on this issue of important public policy.

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STATEMENT SUBMITTED BY

THE NATIONAL LEAGUE OF CITIES

ON

S.R. 231

DISPOSAL OF SURPLUS FEDERAL PROPERTIES

TO THE

SENATE SUBCOMMITTEE ON ENERGY, NUCLEAR PROLIFERATION AND GOVERNMENT PROCESSES

APRIL 19, 1982

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The National League of Cities commends Senator Percy for introducing S.R.231, which calls upon the Federal Government to expedite the sale of surplus federal property and to use the proceeds towards decreasing the national debt. NLC has consistently supported the sale of federal surplus properties which could help to reduce the national debt.

Unfortunately, actions taken by the Reagan Administration in connection with S.R.231 have caused NLC great concern. We support the President's Executive Order 12348, establishing the cabinet-level Property Review Board, responsible for developing and reviewing policy regarding federal real property. However, when OMB Director David Stockman testified on this resolution, he stated that nearly all discount conveyances of federally-owned surplus properties to state, local, and non-profit entities have been eliminated by the General Services Administration. In fact, all such sales have been eliminated, according to a memorandum by Commissioner Roy Markon of the GSA Federal Property Resources Service. That memorandum says in part:

> "Consistent with current Administration policy to increase revenues from the sale of surplus federal real property to help offset the national debt, this memo will confirm our recent verbal instructions to suspend until further notice all public benefit discount conveyances and federal transfers other than at reimbursement at full fair market value."

The National League of Cities beleives this Administration policy is inappropriate for several reasons. First, the laws governing conveyance of federal surplus properties require that, AFTER ALL FEDERAL AGENCIES HAVE RELINQUISHED THE RIGHT TO PLACE THE PROPERTY UNDER THEIR JURISDICTION, THE PROPERTY BE OFFERED TO STATES AND LOCAL GOVERNMENTS BEFORE PLACING IT ON THE OPEN MARKET. THIS PROCEDURE HAS FOSTERED BETTER INTERGOVERNMENTAL RELATIONS BETWEEN THE FEDERAL GOVERNMENT AND STATE AND LOCAL GOVERNMENTS TO A GREAT DEGREE. THE ADMINISTRATION, BY REVOKING THIS LONG-STANDING POLICY OF DISCOUNT CONVEYANCES, HAS STRAINED INTERGOVERNMENTAL RELATIONS AND REDUCED COOPERATION BETWEEN THE VARIOUS LEVELS OF GOVERNMENT IN THIS AREA. THE POLICY CLEARLY WAS COUNTER TO THE PURPOSES UNDERPINNING THE PRESIDENT'S NEW FEDERALISM PROPOSAL.

SECOND, BY ELIMINATING DISCOUNT CONVEYANCES, THE FEDERAL GOVERNMENT IS INCREASING THE TAX BURDEN ON STATE AND LOCAL TAXPAYERS WITH RESPECT TO NEEDED PUBLIC FACILITIES. THIS IS ESPECIALLY TRUE FOR SUCH LAND-INTENSIVE USES AS PARKS AND OTHER OPEN-SPACE RECREATIONAL FACILITIES. IT IS IMPORTANT TO REDUCE THE NATIONAL DEBT, BUT DOING SO AT THE EXPENSE OF STATES AND LOCAL GOVERNMENTS AND THEIR TAXPAYERS AGAIN RUNS COUNTER TO THE PRESIDENT'S GOALS.

THIRD, THE APPROPRIATE USE OF FEDERAL SURPLUS PROPERTIES IS VERY IMPORTANT. THERE IS NO QUESTION THAT MUCH SURPLUS PROPERTY CAN AND SHOULD BE SOLD COMPETITIVELY ON THE OPEN MARKET AND DEVELOPED FOR PRIVATE USES. HOWEVER, SOME OF THIS PROPERTY CAN APPROPRIATELY BE USED BY STATES AND LOCAL GOVERNMENTS FOR

HOSPITALS, SCHOOLS, AND ECONOMIC DEVELOPMENT, PARTICULARY IN AREAS WITH HIGH UNEMPLOYMENT. IF THE FEDERAL GOVERNMENT CHARGES STATES AND LOCAL GOVERNMENTS TOO MUCH FOR SURPLUS PROPERTIES, SUCH PUBLIC USES ARE NOT ATTAINABLE.

THE NATIONAL LEAGUE OF CITIES BELIEVES THAT S.R.231 SHOULD BE AMENDED TO INCLUDE THE FOLLOWING:

(1). A REAFFIRMATION THAT STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ENTITIES SHOULD HAVE THE FIRST RIGHT OF REFUSAL ON ALL FEDERAL SURPLUS PROPERTIES;

(2). SOME SURPLUS PROPERTIES SHOULD CONTINUE TO BE CONVEYED TO STATE AND LOCAL GOVERNMENTS AT A DISCOUNTED PRICE FOR SUCH PURPOSES AS PARKS AND OTHER OPEN SPACE USES; AND

(3). STATES AND LOCAL GOVERNMENTS SHOULD ONLY HAVE TO PAY A REASONABLE PRICE FOR FEDERAL SURPLUS PROPERTIES PLANNED TO MEET OTHER PUBLIC PURPOSES, BESIDES PARKS AND OPEN SPACE USES. REASONABLE PRICE COULD BE DEFINED AS THE AVERAGE OF THREE INDEPENDENT APPRAISALS.

A REVISION OF THE RESOLUTION IN THIS WAY WOULD PROVIDE MORE FEDERAL REVENUES TO HELP REDUCE THE NATIONAL DEBT, MAINTAIN INTERGOVERNMENTAL RELATIONS, KEEP STATE AND LOCAL TAX BURDENS LOWER THAN THEY MIGHT OTHERWISE BE, AND ASSURE THAT FEDERAL SURPLUS PROPERTIES ARE UTILIZED APPROPRIATELY FOR PUBLIC USE WHENEVER IT IS PRUDENT TO DO SO.

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